1. INTRODUCTION

An organisation’s code of ethical conduct provides guidance and support to individuals for making decisions and carrying out their work in ways that are compatible with the organisation’s values. In order for a code of ethical conduct to be effective, it must be promoted and championed throughout the organisation. Managers and staff, at all levels, must be provided with the necessary training and support, and the code itself must be supported by appropriate disciplinary and whistle-blowing/speak up procedures. The ‘tone at the top’ must permeate through the organisation and the code must be owned by everyone.

1.1 The Purpose of this Guidance

It is not difficult to recall a number of high-profile corporate scandals reported in the early part of this century (Tyco, WorldCom, Enron, Parmalat …). More recently, the financial crisis has turned the spotlight once more on integrity within the business community, with irregularities coming to light within organisations such as Lehman Brothers, Olympus Corporation and even some of the major banks. Doubtless these organisations all had codes, but they were ineffective in isolation. The values and principles within those codes had not been successfully embedded within the organisations.

CCAB is pleased to publish Developing and Implementing a Code of Ethical Conduct. This guidance is intended to assist professional accountants who are seeking to develop or enhance codes of conduct within their organisations – be they in business, the public sector or the third sector. Equally, it is intended to suggest ways of effectively supporting a code and embedding its values and principles within the organisation. Where an organisation does not already have a formal code, a professional accountant within the organisation (or otherwise associated with it) may be central to the development and implementation of a code, whether or not the professional accountant is directly responsible for it.

Reference to an organisation’s code is a useful mechanism when seeking to resolve ethical dilemmas.1 The code and its supporting systems are also of value at other stages of ethical decision-making, including enhancing ethical awareness at an early stage.

In developing this guidance, CCAB is aware that professional accountants responding to the need for a code in their organisations might not have experience of developing and implementing codes of ethical conduct. This guidance is not intended to be prescriptive, and it does not provide a template to be used in any organisation. Although Appendix 1 proposes a structure for an organisation’s code of ethical conduct, each organisation is different, and the guidance should be read with this in mind.

1.2 Why Codes of Ethical Conduct Are Important

The primary purpose of a code of ethical conduct is to provide an organisation with a clear benchmark for ethical behaviour. It sets out expected values and behaviours, alongside which a mechanism may be established for reporting variances from those expected standards. In addition, the introduction of a code ‘helps build a values-driven organization’

DEVELOPING AND IMPLEMENTING A CODE OF ETHICAL CONDUCT

and ‘typically deals with an organization’s underlying values, commitment to employees, standards for doing business, and its relationship with wider society’.²

A code of ethical conduct may be seen as a ‘contract’ among all those within the organisation, as well as a statement to third parties concerning the standards they might expect of the organisation and those within it and associated with it. There may also be pressure from certain stakeholders who wish to conduct business within an ethical environment.

As well as providing a reference point within a disciplinary process, and a clear statement of the standards of behaviour expected, a code of ethical conduct is a tool available to the organisation for actually influencing the behaviour of employees, management, subcontractors and others. It forms a component of a system that aims to internalise ethical behaviour. Benefits may even be derived from employees who, on leaving the organisation, will be inclined to speak more favourably of the organisation and its values.

The effective introduction of a code will be of value to a wide range of stakeholders. (There is little doubt that an effective code helps to protect the corporate reputation among stakeholders. But with a wide range of stakeholder interests in mind, the creation and implementation of a code of ethical conduct should take place with due regard for the public interest.) Therefore, a code of ethical conduct must have relevance to, and communicate effectively with:

employees and subcontractors of the organisation
directors and those charged with governance
customers and suppliers
agents of the organisation
third party strategic partners
investors and the wider business community
others engaging with a public sector or charitable organisation
members of the general public who may wish to engage with the organisation in the future.

1.3 How to Use This Guidance

This guidance is written in general terms. Ultimately, a code of ethical conduct belongs to the organisation in question and, therefore, it should be specifically tailored to the needs of that organisation. This guidance should not be addressed with a view to incorporating every element of the guidance into a code. The key is to keep the code simple and relevant.

In issuing this guidance, CCAB is seeking to raise awareness of codes in organisations in which a professional accountant has influence. While the guidance is intended to be relevant internationally, it is not directed at multinational organisations. In the case of a small family business, for example, a single page code may be appropriate – making staff and third

²International Federation of Accountants, Defining and Developing an Effective Code of Conduct for Organisations, June 2007
DEVELOPING AND IMPLEMENTING A CODE OF ETHICAL CONDUCT

parties aware of the business’s values, principles and policies. This guidance is relevant to
commercial organisations, the public sector, charities and professional firms. As such, it
supports the existing ethical case studies published by CCAB.3

Before starting to develop a code of ethical conduct, the following questions should be
considered:

Has the organisation established an agreed set of values and a set of ethical
principles?

Can these values and principles be expected to:
  o  prevent the development or acceptance of unethical practices?
  o  promote and maintain confidence in, and enhance the reputation of, the
    organisation?
  o  make a positive contribution to the welfare of those within the organisation
    and in the wider community?

Has the organisation established an agreed approach to decision-making based on its
values?

Has the organisation established where the expertise for developing and maintaining
the code lies?

Has the organisation considered how the code will be monitored within its
governance framework?

Once an organisation has set its core values and supporting ethical principles, this guidance
may provide a framework around which the organisation can develop a code suitable to
deliver those core values. The objective is that the code should become embedded into the
organisation’s goals, strategies and methodology. In this way, it helps to address the
organisation’s operational and integrity risks.4

3See footnote 1

4For a deeper consideration of embedding integrity within an organisation see ‘Real
Integrity: Practical Solutions for Organisations Seeking to Promote and Encourage
Integrity’ at www.icaew.com/en/products/accountancy-markets-and-ethics/real-
integrity-report.
2. SCOPE OF A CODE OF ETHICAL CONDUCT

2.1 To Whom Does the Code Apply?

A code of ethical conduct must be relevant to all employees throughout the organisation, and others (including those listed in section 1.2 above). Therefore, it must be written in a language and style that is universally comprehensible. When developing a code, the range of users that must be considered might include junior employees, middle management, senior executives, board members (or others responsible for governance, including non-executives), major external contractors, subcontractors within the organisation, customers, suppliers, investors and others. Furthermore, core values and ethical principles set out within the code must be widely acceptable across the organisation, outside of the organisation, and even across different jurisdictions.

2.2 The Objectives of a Code of Ethical Conduct

The organization’s overarching objective should be to develop a values-based organization and a values-driven code, to promote a culture that encourages employees to internalize the principle of integrity and practice it, and encourages employees to “do the right thing” by allowing them to make appropriate decisions.\(^5\)

CCAB believes that a code of ethical conduct should not be a prescriptive and complex set of rules – expected to provide the answer to every conceivable dilemma. Instead, it should be based on principles (and underpinning values) in order to afford flexibility when required to be applied to unforeseen situations. Such an approach provides a decision-making framework, allowing users to exercise their own judgement within a certain set of parameters. In contrast, a rules-based approach cannot cover all eventualities and is likely to lead to poor decision-making: questionable behaviour may be accepted simply because it is not found to relate to any of the specific behaviours outlawed.

When developing a principles-based code, the following objectives must be kept in mind:

- demonstrating a commitment to ethical behaviour, evidenced by the tone and specific behaviours of those who lead the organisation;
- enhancing the organisation’s reputation;
- supporting harmonious relationships within the organisation;
- enhancing relationships with third parties;
- managing risks associated with ethical decision-making;
- setting out a standard of behaviour within a disciplinary framework;
- demonstrating effective governance arrangements;
- providing effective ethical guidance and support.

---

\(^5\) International Federation of Accountants, *Defining and Developing an Effective Code of Conduct for Organisations*, June 2007, key principle A
3. ELEMENTS OF A CODE OF ETHICAL CONDUCT

The following elements of a code of ethical conduct may be relevant, although smaller organisations with clear, uncomplicated reporting lines may not require all elements:

- mission statement
- high-level values
- clear ethical principles
- internal policies (linked to values and ethical principles where appropriate)
- implications of breaches of the code.

It might also be appropriate for the code to refer to guidance and support (produced by the organisation or available externally), which will aid understanding and compliance.

3.1 Mission Statement

A mission statement is a statement of the purpose of the organisation and, in effect, asserts the organisation’s reason for existing. It may be expected to serve as a foundation upon which all the organisation’s activities are based. It can be a strong motivator for staff, and an inspiration for those leading the organisation.

In order to integrate ethical conduct into the operations of the organisation, it is advisable to incorporate a reference to the organisation’s ethical values into its mission statement. This will help to embed strong ethical principles into the activities and decision-making of individuals. An inspirational mission statement will be succinct and memorable. It will, therefore, resonate throughout the code. For more information concerning mission statements see Appendix 2.

3.2 High-Level Values

One’s values form the basis for one’s ethical action. They are acquired over time, and tend to influence attitudes and behaviour. It benefits an organisation if the values of individuals within it are consistent. This will, to a great extent, depend upon the organisation’s recruitment policies and processes, and also its own values as clearly expressed within its code of ethical conduct.
Examples of commonly held personal and business values, which an organisation may strive to mirror within its code

**Respect:** Dignity is the right of all those affected by the code, and respect for one’s colleagues and others supports this right.

**Equality:** Equal treatment of all employees, all suppliers, etc, including equal opportunity, is consistent with widely accepted principles of justice, and is often expressed alongside an organisation’s embracing of diversity.

**Integrity:** While there may be disagreement regarding precisely what ‘integrity’ entails, it may be expressed in a code of ethical conduct in terms of supporting expectations. For example, it might include an expectation of accountability, whereby employees may be called upon to explain their actions (as would the organisation of course). Integrity is also likely to feature as an ethical principle (see below). Wherever the term is used, it must be clearly defined in that context.

**Recognition of excellence:** While this corresponds with a traditional view of fairness, it also serves to encourage effort and innovation.

3.3 Ethical Principles

In support of the organisation’s high-level values, ethical principles set out expected standards of behaviour, while remaining broad and fundamental in nature. All those to whom the code relates will be expected to understand and comply with these principles. The more detailed content of the code must be consistent with these overarching ethical principles (see section 3.4 below).

In different types of organisation, it will be appropriate to emphasise different ethical principles. By way of example, the following set of principles would be appropriate for a public sector organisation, as they are based on the seven principles of public life. 6

**Selflessness:** Decisions must be taken with due regard for the public interest.

**Integrity:** Those governed by the code must not allow themselves to be placed under any obligation to people or organisations that might try inappropriately to influence them in the performance of their duties.

**Objectivity:** Actions and decisions must be taken impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**Accountability:** Those governed by the code are accountable for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**Openness:** Decisions must be taken in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

**Honesty:** Those governed by the code must be truthful.

---

6 Committee on Standards in Public Life, *Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life*, January 2013
Leadership: All those governed by the code must exhibit these principles in their own behaviour. They must actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

The example set of principles above may only need to be tailored slightly to be appropriate for a public interest organisation such as a charity. However, for a commercial organisation, it might be necessary to adopt a different emphasis (bearing in mind its fiduciary obligation to investors), resulting in a slightly different set of ethical principles. If developing a code of ethical conduct for a professional practice, the code of ethics of the practice’s professional body would almost certainly form the starting point.

The ethical principles underpinning an organisation’s code of ethical conduct should be formulated with input from those within the organisation itself. However, a professional accountant leading on such a project may also refer to the fundamental ethical principles within their own professional code (see section 5.11 below). 7

3.4 Specific Behaviours

Having established the organisation’s values and delineated agreed ethical principles, the code of ethical conduct may then cover a range of more detailed matters. These specific behaviours must, of course, be consistent with the organisation’s values and ethical principles. Excessive detail should be avoided, and specific behaviours should only be included if they add clarity, as the code should not be perceived as overly prescriptive. The specific behaviours are organisational policies that need to be stated, and the following may be relevant to a particular organisation:

Standard of work and behaviour: Having established the organisation’s values and ethical principles, the code should translate this into clear expectations of employees (including all levels of management) and subcontractors in respect of their dealings with others. It should include both standards of work and more general standards of behaviour, and should explain which standards are expected to be met (eg, being polite, dressing appropriately, and meeting agreed customer service standards), as well as making it clear what types of behaviour will not be tolerated (eg, being rude or offensive, or being under the influence of alcohol or other drugs).

Compliance with legislative and regulatory requirements: As a principle, compliance with relevant law and regulation is fundamental, and may be included within an organisation’s stated ethical principles. The requirement should be expressed in general terms, but specific areas of legislation and regulation should also be highlighted, eg, compliance with anti-bribery legislation, data protection requirements, etc. Itemising these areas enhances awareness, leading to improved behaviours, as well as better management of risk for the organisation.

Personal interests: Individuals should be required to disclose any financial or non-financial interests that might give rise to a conflict with the interests of the organisation. More widely, all those governed by the code must be alert to conflicts of interest that threaten (or may appear to threaten) their objectivity.

7 International Ethics Standards Board for Accountants, Handbook of the Code of Ethics for Professional Accountants, July 2013
Disclosure of personal information: In order to avoid conflicts of interest, it will be necessary to require all employees and subcontractors to disclose to the organisation details of certain relationships – personal and professional. Additionally, there will be times when individuals are themselves in possession of confidential information. Confidentiality requirements may arise from the requirement for professionalism or from legislation, and should be understood by all users of the code.

Health and safety: There should be a clear statement that employees, subcontractors and others on the organisation’s premises must avoid acting in a manner that may prejudice their own health or safety, or that of another party. In larger organisations, individuals must familiarise themselves with the organisation’s health and safety policy, and know to whom they should report if they are unsure about any requirements.

Harassment: Harassment is any unwanted behaviour which an individual finds intimidating, upsetting, embarrassing, humiliating or offensive. It should be made clear that the organisation does not tolerate such breaches of respect for another party, and that care must be taken to ensure that one’s actions cannot be interpreted as such.

Serious misconduct: It should be made clear that any instances of serious misconduct, including criminal offences committed during or outside of working hours, which could bring the individual concerned or the organisation into disrepute, will be the subject of disciplinary action.

Gifts and hospitality: The organisation is likely to include objectivity (or some variant of it) among its ethical principles. Flowing from that, its policy regarding gifts and hospitality should be clearly set out in order to provide reasonable support to the principle. The policy should explain to what extent hospitality and gifts may be considered appropriate, and so be offered and accepted. It should also set out the circumstances under which the giving or receiving of gifts or hospitality must be disclosed, and when approval must be sought.

Use of resources: It may be deemed appropriate to highlight in the code that the organisation’s property and facilities (materials, equipment and premises) may only be used for the organisation’s purposes, unless prior authorisation has been received. For example, it may be advisable to include a policy in respect of internet usage.

Appointments and other employment matters: The organisation may find it beneficial to emphasise that the appointment of employees and the engagement of subcontractors are on the basis of merit, and in accordance with the organisation’s policies. Such a statement is relevant both to those seeking a contract with the organisation and those within the organisation responsible for recruiting staff and engaging subcontractors.

Outside commitments: All employees and subcontractors must be aware of their contractual obligations towards the organisation. They must not take on outside responsibilities – paid or unpaid – that might conflict with the organisation’s interests. The policy should state that, if in doubt, specific approval should be sought by the individual concerned.
Complaints: The organisation should take complaints seriously – both from within the organisation and from external parties. In all but the smallest organisations, the code of ethical conduct should support a ‘speak up’ policy and the organisation should undertake to investigate complaints thoroughly and take appropriate action. It is important that the organisation demonstrates that its complaints policy is supported by effective investigatory and regulatory procedures. Within these procedures, there might be possible recourse to an external party, should the complainant not be satisfied with the internal process.

Raising concerns: A code of ethical conduct will be more effective if those who are bound by it are required to report suspected breaches of the code. It should be made clear that suspicions must be reasonable, and reports will be received and acted upon in confidence. In order to be effective, this section of the code should set out the reporting procedure, and it might include the option to ‘whistle-blow’ or ‘speak up’ to an external organisation, where appropriate.  

Seeking advice: Although the necessary support surrounding a code of ethical conduct is discussed later in this guidance, details of how users of the code may obtain clarity concerning any aspects of the code might be incorporated into the code itself, particularly in the case of smaller organisations. In larger organisations, the giving of advice concerning the code of ethical conduct might fall within the role of a mentor. It is also advisable to state clearly the individual or team responsible for developing and maintaining the code.

---

8Employees might be advised of external organisations that support whistle-blowers by providing confidential advice, for example, in the UK, Public Concern at Work, www.pcau.org.uk.
4. CONSTRUCTING AN EFFECTIVE CODE OF ETHICAL CONDUCT

The code of ethical conduct must be specifically developed for the needs of the organisation concerned, and the code’s content, size and format must be appropriate to the organisation’s size and structure, and the sector in which it operates. When designing a code for a particular organisation, the following points should help to make the code more effective.

Focus on principles

The layout of the previous section deliberately places the organisation’s ethical principles above its expected specific behaviours. The organisation’s stated policies clarify the expected behaviours, while the ethical principles remain paramount. In this way, the code of ethical conduct is principles-based. Focus on the principles generally allows a shorter code to be developed, and will not require the code to be frequently updated.

Be clear about the purpose

Many codes fail because they suffer an identity crisis. Perhaps their purpose is not stated, or it is not clear to whom they apply. A code of ethical conduct must be designed and written with the user in mind and, as we have seen, there are many categories of potential user. The following must be considered when drawing up a code:

**Overriding purpose:** The code is intended to bring about a high standard of behaviour throughout the organisation. It should not be prepared for the sole purpose of complying with ‘best practice’ or ‘keeping up’ with competitors. Such an approach amounts to mere window-dressing.

**Target audience:** The style of the document, including the language used, should be such that it is easy to read, navigate, understand and engage with. Above all, it should be helpful to a broad range of people, with different objectives and from different backgrounds.

**Relevance:** A code of ethical conduct must recognise issues that are relevant to employees (including all levels of management) and others to whom the code applies. It must be relevant to the organisation’s activities, size, management structure, locations, etc, and it must help its users to adopt ethical courses of action.

Use of plain language

The code should be written in plain language (ie, in a style that is focused on clarity, brevity and the avoidance of technical terms). This is a more difficult task than one might imagine, and the code should be reviewed critically with this in mind. The aim is to ensure that the code may be understood and applied quickly and effectively by all users. Long paragraphs and complex sentences should be avoided. In large organisations, the code might be required to be in a style that may be easily and accurately translated into other languages.

Resist excessive length

A principles-based code of ethical conduct is unlikely to be of great length and, in fact, the code should be as concise as possible. It may refer to detailed policies and procedures explained in documents that remain outside of the code itself. Users of the code need something to which they can easily refer, as and when required. In particular, new users of
DEVELOPING AND IMPLEMENTING A CODE OF ETHICAL CONDUCT

the code need a document that succinctly conveys the key messages, in such a way that they may be easily understood and applied at a later date.

Accessibility

A code of ethical conduct should be easily accessible to all users and potential users. In most organisations, it is preferable that hard and soft copies of the code are maintained and accessible whenever and wherever they are likely to be needed. Care must be taken to ensure that all copies are up to date.
5. EMBEDDING AND SUPPORTING A CODE OF ETHICAL CONDUCT

It is important to remember that a code of ethical conduct, on paper or in electronic form, is merely that. Enron had a very good code. The problem was that senior management did not appear to live up to the code. Therein lies the major challenge – to properly embed the code within the organisation: to imbue an appropriate culture to the extent that it is instilled in the hearts and minds of staff at all levels, subcontractors and even suppliers of the organisation.

Therefore, once the process of developing the code is complete, the organisation must have a strategy for implementing it effectively. This section of the guidance discusses some relevant techniques for embedding the code into the organisation. Most of the techniques discussed below are relevant to any organisation, to some extent. However, the specific approach adopted by smaller organisations will be significantly less complex.

5.1 Development and Approval Process

While those in senior management are likely to have considerable input into the content of the code of ethical conduct, there is a need to seek input from a range of stakeholders in the code. Being part of the consultative process encourages potential users to engage with the code’s implementation, rather than feel that the code has been merely imposed upon them. Such an approach invokes a broader sense of ownership of the code. In addition, stakeholders who contribute to the development of a code of conduct may bring to light ethical challenges of which other parts of the organisation were not previously aware.

Views expressed by willing contributors must be respectfully considered, in order to achieve ‘buy-in’ from all parties. In a large organisation, it may be advisable to appoint representatives of different departments to present ideas on behalf of others. Face-to-face sessions to introduce the code provide an opportunity to explain why certain suggested elements of the code were included and others excluded.

5.2 Introducing the Code to the Organisation

The organisation will require a strategy for introducing the code to those affected by it. Formal training is considered later in section 5.3. However, thought should first be given to how initial awareness of a code of ethical conduct should be brought about. In larger organisations, many of those governed by the code would have been made aware of it at the start of the consultation process. For others, their introduction to the code should highlight the benefits of having a code: how it will enhance the reputation of the organisation, introduce clarity, and promote widely held values such as equality and respect throughout the organisation. Staff, in particular, should be made aware at an early stage of whom to contact, on a confidential basis, if they have any questions. In some organisations, this might be a personal mentor. If the process is conducted diligently, the introduction of the final code should be welcomed by all those affected.

Preferably, a range of media should be used for publishing a code of ethical conduct. Hard copies should be kept in central and easily accessible locations but, as the document will not be a lengthy one, it might be appropriate (in smaller organisations) to distribute it to all those directly affected by it. The code may be distributed to external stakeholders in electronic form.
DEVELOPING AND IMPLEMENTING A CODE OF ETHICAL CONDUCT

Having developed a robust code of ethical conduct, it makes good business sense to publish it on the organisation’s website, to illustrate to interested third parties (including existing and potential customers and suppliers) that yours is an organisation that places great importance on high standards of ethics and behaviour. This will also send a positive message to persons considering seeking employment with the organisation and, with regard to other readers, publishing the code may even assist with the implementation of the organisation’s anti-fraud and bribery policies.

5.3 Internal Training

Training is an important step in introducing a new code of ethical conduct. It is important to explain the rationale behind the implementation of a code – what it is intended to achieve, and why a principles-based approach has been adopted. Furthermore, users of the code will benefit from practical training on how to make ethical decisions. If employees (together with their managers) and subcontractors have received appropriate training (including practical exercises) and had the opportunity to raise any concerns, then the process of embedding the code into the organisation has already begun.

Without appropriate training, there is a risk that the introduction of the code will be perceived as authoritarian, or there may be a misconception that its sole purpose is to remedy unethical conduct of the past. It is vital that the training sensitively addresses these issues, explaining how the code is to be used in practice, and making clear that it applies to everyone. Training sessions also provide an opportunity to test the code and identify any unnoticed flaws in the drafting of the code.

It is appreciated that the downtime associated with training may not be attractive for smaller organisations. However, simply distributing copies of the code, or referring staff to a central document, is unlikely to be an effective means of instilling the key messages. Although physical training sessions do have costs associated with them, they increase the likelihood of attendees engaging with the code. Of course, training methods should be proportionate to the size and structure of the organisation.

In any organisation, there is a need for ongoing awareness of the code and, periodically, this may entail further training sessions. Such sessions must be mandatory, although they will be shorter, and might be incorporated into less formal staff meetings. They will provide an opportunity for the organisation to re-emphasise the importance that it places on its code of ethical conduct. They are also an opportunity for staff to refresh their understanding of the code.

5.4 Use of Case Studies

Proportionate guidance, training, advice and other support must be made available to users of the code of ethical conduct. A proportionate and effective measure, in this respect, is the availability of case studies. CCAB has taken a lead on this in respect of the code that applies to its members – the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (the IESBA Code). CCAB’s Ethical Dilemmas Case Studies are available at http://www.ccab.org.uk/reports.php.

In particular, training is likely to be more effective if it incorporates practical examples in the form of case studies – illustrating situations that the organisation’s employees and subcontractors may encounter. Those attending the training should be asked to voice their opinions before alternative possible solutions to the dilemmas in the case studies are
provided. Higher levels of participation tend to arise from discussions in smaller groups, although ideas emerging from those discussions may also be fed back to the larger group. In this way, the use of relevant case studies enhances the ethical sensitivity and confidence of staff and other users of the code. In introducing the case studies, it is important to point out that the ‘right’ course of action will not always be clear, as there may be more than one right answer. Such is the nature of ethics. The objective is to exercise people’s decision-making ability.

5.5 New Managers and Staff

An organisation’s code of ethical conduct must be introduced to new employees of the organisation, at all levels. It represents a benchmark for acceptable behaviour, and should form an integral part of employees’ terms of employment. At the earliest possible stage, the organisation should make clear that it aims to employ (or otherwise engage) only those who are ethically fit. These measures demonstrate the importance that the organisation attaches to meeting an acceptable standard of behaviour. In particular, time should be set aside to review the code with new employees as part of their induction programme.

5.6 Discipline

The purpose of a code of ethical conduct is to bring about consistently high standards of behaviour and internalise ethical decision-making. To this end, an effective disciplinary process is an important component in supporting the code. It indicates, both to those bound by the code and to all external parties, the organisation’s commitment to the principles and policies therein.

Prompt, effective and fair action must be taken against those who are found to have breached the code. Action must be proportionate and transparent. Any variation between the standard of behaviour required by the code and that which is seen to be the practice may seriously erode trust and be very damaging to relationships, both within the organisation and externally. In such cases, the organisation must be seen to enforce its own code of ethical conduct.

5.7 Performance Appraisals

On the other hand, high standards of ethical behaviour should be rewarded. The organisation’s appraisal process provides an opportunity to review how an individual has lived up to the organisation’s values, and demonstrated competence in ethical decision-making. It is also a useful mechanism to achieve ongoing awareness of the code.

In recognising what an individual has achieved, managers should also consider how it was achieved, and staff should be rewarded appropriately. If an organisation gets this right, then all employees and subcontractors will be seen to be rewarded on merit. It will then be possible to look to the ethical standards of those rewarded, understand the reasons for the rewards, and attempt to emulate them. Ideally, this creates a virtuous circle – to the benefit of the organisation, its staff and its stakeholders.

5.8 Tone at the Top

Those responsible for governance of an organisation must convey to others their commitment to the organisation’s code of ethical conduct, and make clear that the values in the code are applicable to all staff, subcontractors and others. Furthermore, senior
management must be seen to be fully supportive of the code. A proper ‘tone at the top’ is essential for the code to be embedded within the organisation.

Management at all levels must regularly seize opportunities to remind employees, and others, of the reasons for having a code of ethical conduct and, in particular, of the organisation’s values expressed within it. If all those with managerial responsibilities set an example to others, it will be easier to cascade the code’s contents throughout the organisation, as individuals tend to follow the example of their seniors.

5.9 Access to Advice

Quite apart from training sessions and regular performance appraisals, the code of ethical conduct still needs ongoing support through the availability of information and advice from a competent source. Organisations may consider incorporating into their codes how the reader can obtain clarity concerning any aspect of the code, or ethical advice in any given situation. Otherwise, separate guidance must be provided. Such guidance may include case studies (see section 5.4 above) or the use of frequently asked questions (FAQs).

For one-to-one advice, staff, for example, might be required to consult their line managers in the first instance. But all users of the code must be aware of the individual or department within the organisation responsible for developing and maintaining the code, and so know whom to contact for clarification. In addition, employees might be assigned a mentor, who may be able to give general advice concerning the code, and even specific advice to consider in respect of an actual dilemma encountered. Confidentiality should be assured whenever necessary, and organisations might find it beneficial to provide access to an external party for independent, confidential advice. Confidentiality is particularly important for an individual seeking ethical guidance in respect of an actual dilemma being faced.

5.10 Whistle-blowing/Speak up Obligations and Mechanisms

Employees and subcontractors must also have the confidence to challenge others when a breach of the code of ethical conduct is suspected. In some organisations, an employee or subcontractor will be expected to report suspected breaches to an appropriate individual or department in the first instance. Almost all organisations will be expected to have formal whistle-blowing (or ‘speak up’) procedures in place, although these need not be sophisticated in smaller organisations. However, effective procedures will recognise the need to protect and support the whistle-blower to the greatest extent possible. In a smaller organisation, this will often involve the use of an external party, which may provide reassurance with regard to appropriate confidentiality.

Whistle-blowing/speak up mechanisms – both internal and external – should be set out in the code of ethical conduct itself (or else the code should state where detailed guidance may be found). Such mechanisms must make clear that suspicions must be reasonable (not malicious), and that reports will be received and acted upon in confidence.

There are likely to be occasions on which employees and subcontractors are uneasy about reporting suspected breaches. It is advisable to make staff aware of external organisations that support whistle-blowers. Such external organisations provide confidential advice concerning the safeguards available to individuals who identify a need to ‘blow the whistle’.\(^\text{9}\)

\(^\text{9}\)For example, in the UK there is Public Concern at Work, www.pcau.org.uk.
5.11 The Role of the Professional Accountant

Professional accountants are required to comply with the codes of ethics issued by their professional bodies. The codes of the CCAB member bodies are aligned to the IESBA Code. As a professional accountant (likely to have a high profile within the organisation), one must, at all times, observe and demonstrate the highest standards of ethical behaviour. The fundamental principles contained within the IESBA Code are universally relevant, and for a professional accountant to act with integrity implies accepting the responsibility, where appropriate, to promote ethical behaviour in others.

**Fundamental ethical principles within the IESBA Code**

- **Integrity**: to be straightforward and honest in all professional and business relationships
- **Objectivity**: to not allow bias, conflict of interest or undue influence of others to override professional or business judgments
- **Professional competence and due care**: to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards
- **Confidentiality**: to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties
- **Professional behaviour**: to comply with relevant laws and regulations and avoid any action that discredits the profession.10

Where practicable, the fundamental ethical principles within the IESBA Code may form the basis of the ethical principles within the code of ethical conduct of the organisation in which the professional accountant operates. The professional accountant should be familiar with these principles, and adhering to them will help to set the ‘tone at the top’ of the organisation.

6. MONITORING AND REVIEW

Monitoring of the code is essential, to ensure that it is still relevant and being observed in practice. If, for example, an internal whistle-blowing mechanism is in place, it might serve to highlight areas on which attention should be focused, ie, areas of the code that are less effective. Conversely, areas may be identified that are currently of less relevance, and which may be amended or removed in order to streamline the code.

6.1 Ongoing Review

The organisation is likely to have several sources of information built into its procedures, which may be used to assess the effectiveness of its code of ethical conduct. Depending upon the size and structure of the organisation, the following sources of information may be available:

**Employee appraisals:** As already noted, appraisals should consider not only what was achieved but *how* it was achieved. Key performance indicators may be set that directly relate to compliance with the code. Employee (and subcontractor) appraisals are opportunities for embedding the code, but also for identifying weaknesses in the code.

**Questions and feedback from training sessions:** Particularly during the code's infancy, training sessions may be viewed, in part, as the piloting of the code. They will highlight the issues being encountered, and the use of case studies will be particularly illuminating in this respect.

**Internal reporting (or whistle-blowing/speaking up):** In a large organisation, it will be worthwhile analysing the incidents reported, remembering that the objective of a code of ethical conduct is to promote ethical behaviour. Every identified breach of the code should be examined to see if it provides evidence of a failure of the code in some respect.

**Investigations and disciplinary action taken:** It is hoped that instances of disciplinary action will be few. However, as with internal reporting, on occasions they may indicate weaknesses in the code, and opportunities to make the code more robust should not be overlooked.

**Advice sought:** Where employees, subcontractors or others request clarification of the code of ethical conduct, this may indicate areas in which the code itself requires clarification.

**Employee suggestions:** In accordance with the high-level corporate values adopted by an organisation, suggestions from users of the code should be welcomed and treated with respect. These are a valuable source of information, and the organisation may even choose to introduce a rewards mechanism related to valuable suggestions. Even in smaller organisations, managers should welcome suggestions received informally.

**Customer feedback:** As with feedback and suggestions from employees, customer feedback should be seen to be appreciated. Even complaints (one might say ‘especially complaints’) are valuable feedback on the organisation’s code of ethical conduct.
conduct, and may also be a fruitful source of case studies. In many cases, relating a
complaint to the code will serve to enhance customer relations.

Organisations of all sizes are likely to have various mechanisms for gathering information
and feeding it into enhancements to the code of ethical conduct. Where a shortcoming of
the code becomes apparent, it may require immediate remedial action. However, the
benefit of such a change may be outweighed by the costs – both of effecting the change and
of potentially confusing users by implementing frequent changes. It may be more
appropriate that valuable feedback be aggregated and assessed periodically. Any major
changes may be accompanied by the launch of a revised code of ethical conduct.

6.2 Periodic Review

Regardless of the size of the organisation and the volume of feedback accumulated on an
ongoing basis, a code of ethical conduct must be reviewed at regular intervals to ensure that
it is still fit for purpose. To some extent (appropriate to the size and structure of the
organisation), the review process should again involve employees. They may well be best
placed to understand the issues, present ideas and suggest suitable improvements.

The periodic review process may actively seek feedback from employees. A survey of other
stakeholders (including whether the organisation appears to be living up to the expected
standards of behaviour) will elicit information, as well as providing a customer relations
opportunity. The organisation may also benchmark its code of ethical conduct against those
of similar organisations, competitors, customers, suppliers, etc, with a view to identifying
any areas where positive improvements could be made.
APPENDIX 1: STRUCTURE FOR A CODE OF ETHICAL CONDUCT

The following is an example of the structure of a code of ethical conduct. It should not be used as a template, but as an inspiration to those charged with developing such a code within their organisations. Where possible, the example structure refers to sections of the guidance in which suggested elements for inclusion may be found.

[ABC Organisation]

Code of Ethical Conduct

Introduction

This code of ethical conduct (‘the Code’) applies to all employees of [ABC Organisation] (‘the organisation’). It is supplementary to statutory and regulatory requirements, and illustrates the standards of behaviour expected within an employee’s terms of employment. The organisation also expects its subcontractors, suppliers and customers to observe the standards set out within the Code.

The organisation’s stakeholders are entitled to demand and expect conduct of the highest standard. The Code cannot prescribe how one should act in every challenging situation. Therefore, it has been developed, following appropriate consultation, based on fundamental ethical principles. If you require further information concerning the organisation’s high-level values, ethical principles, policies or procedures, you should contact your line manager in the first instance. Further advice may be obtained from [xyz].

Breaches of the Code may be the subject of disciplinary action which, in some cases, could result in dismissal. The organisation’s disciplinary policy is available at [link].

Mission Statement

[Advice concerning the organisation’s mission statement is to be found in section 3.1.]

High-Level Values

Our personal values form the basis for our ethical behaviour. The organisation’s high-level values are set out below, and represent widely held values that are relevant to the organisation, and which are expected to drive the individuals within it. They underpin everything that the organisation does.

[Insert and explain the organisation’s high-level values. Examples may be found in section 3.2.]

Ethical Principles

In support of the organisation’s high-level values, the fundamental ethical principles set out below describe guiding principles that should be considered whenever there is an ethical aspect to decision-making. They are intended to be widely applicable, uncontroversial and fundamental in nature.

[Insert and explain the organisation’s agreed-upon ethical principles. Examples may be found in sections 3.3 and 5.11.]
Specific Behaviours

The specific behaviours detailed below reflect the organisation’s policies, and help to set out the standards of behaviour expected in specific respects. They provide detail that supports the high-level values and ethical principles delineated above. These behaviours are not intended to represent an exhaustive list, as the organisation’s ethical principles will always prevail. It is likely that, in future, the Code will be amended to include additional behaviours. However, it is (and will remain) principles-based.

[Insert and explain the organisation’s policies governing specific behaviours. These must be appropriate to the organisation, and some examples may be found in section 3.4]

[If not included as a specific behaviour, include a section on the organisation’s whistle-blowing/speak up procedures. Guidance may be found in section 5.10.]

This code of conduct is principles-based, and the specific behaviours outlined above do not provide an exhaustive guide to users of the code. Supporting policies and guidance have been referred to throughout the code. Additional guidance and illustrative case studies are available at [link].

Code adopted by [those responsible for governance] on [date].
APPENDIX 2: OTHER SOURCES OF GUIDANCE

This appendix contains a core set of reference materials for developing codes of conduct. As codes of conduct evolve over time, and should be reviewed regularly, we have not included references to specific company codes of conduct. These are readily available on the internet.

Resources on Codes of Ethical Conduct

Ethisphere Institute www.ethisphere.com


Institute of Business Ethics www.ibe.org.uk


Other Tools and Materials

Ethical Dilemmas Case Studies, published by CCAB at www.ccab.org.uk/reports.php

Committee on Standards in Public Life www.public-standards.gov.uk

Public Concern at Work www.pcaw.org.uk.

Mission Statements

About CCAB

The combined membership of the five CCAB bodies – ICAEW, ACCA, ICAS, CIPFA and Chartered Accountants Ireland – amounts to 245,000 professional accountants in the UK and the Republic of Ireland (354,000 worldwide).

CCAB provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy.

CCAB’s credibility stems from its insight into all areas of finance and accounting, from finance director and audit partner to management accountants, professional advisers, public sector finance leaders and entrepreneurs. CCAB’s members work through the financial value chain in all sectors as key decision makers and business leaders within the UK and around the world.