



Lab[®]

Best Practice Guide

Creating a Code of Business Conduct

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

Why have a Code of Business Conduct?

- Values – to embed a set of ethical values into the organization's goals and strategies and to conduct business in this manner
- Ethical behavior – to provide guidance and support to staff for making decisions and carrying out their work in a way that is compatible with the organization's ethical values and standards
- Corporate Culture – to consolidate and strengthen a culture of integrity and openness so as to facilitate a sustainable business
- Risk – to minimize operational and integrity risks
- Reputation – to enhance trust among stakeholders (all persons with interest, involvement or investment in the company, such as customers, employees, suppliers, etc.) so as to facilitate business success
- Sustainability – to minimize the organization's negative impacts and maximize its positive contribution to the social, economic and environmental wellbeing of society
- Minimize Conflicts of Interest – to minimize situations in which employees are involved in multiple interests, one of which could be exploited for personal or corporate benefit.

Template

Codes can take various forms. We have included a generic outline based on resources from the Institute of Business Ethics that can be customized to meet your business model.

1. Preface or Introduction

Start by stating the purpose of the Code of Business Conduct - mention the values that are important to the company leadership in the conduct of the business. Describe the 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. This introduction should include a signed endorsement by the CEO/President of the company.

2. The Purpose and Values of the Business

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

3. Employees

How does the business value employees? Describe the company's policies on: working conditions, employee recruitment, development and training, rewards, health, safety and security, equal opportunities, diversity, retirement, redundancy, discrimination and harassment (or reference the company's Employee Handbook, if one exists). Set expectations and limitations for the use of company assets by employees. Define conflicts of interest and how they should be addressed in the context of your company. Examples include self-dealing (taking advantage of one's position in a transaction by acting in one's own interest, rather than the company's or stakeholders), outside employment (in which the interests of the multiple jobs contradict one another), family interests, and gifts from business partners. Define the company's whistleblower policy.

4. Customer Relations

The Code of Business Conduct may include a section that discusses the company's Customer Relations policy. This may include an overview of the importance of customer satisfaction and good faith in all customer agreements, and the company's position on product/service quality, fair pricing and after-sales service. This may also include guidelines for workers on what type of customer relations standards should be adhered to.

5. Shareholders or other providers of money

Describe the policies on the protection of investment made in the company and what the proper return on borrowed money is. Express a commitment to accurate and timely communication with shareholders/lenders on achievements and prospects. 1

6. Suppliers

The Code of Business Conduct can include a section on the company's dealings with suppliers. This section may describe policies concerning the prompt settling of bills and cooperation with suppliers to achieve quality and efficiency. This section should also state that no bribery or excess hospitality will be accepted or given to any supplier. 2

7. Society or the wider community

The Code of Business Conduct can help the company articulate its commitment to society and the environment. Describe the company's initiatives to protect and preserve the environment, any involvement in local community affairs, and the company policy on sponsorship as well as giving to education and charitable appeals.

8. Implementation

Indicate the process by which the Code of Business Conduct is issued to and used by employees, including how and when new and existing employees can participate in training on the Code. Describe ways for employees to obtain advice on potential breaches of the Code and include examples and common questions and answers.

9. Assurance, reporting and reviews

Indicate ways to ensure the Code's effectiveness³ and put procedures in place for reviewing and updating the Code. Report on effectiveness of the Code of Business Conduct to the board of directors or the company owner at least annually.

How to Implement a Code of Business Conduct

How you engage your employees in the writing and implementation of your Code is as important as what you put in it. Below are steps for implementing a Code of Business conduct based on The Institute for Business Ethics' publication: "Developing a Code of Business Ethics."

Developing the Policy

1. Content - Write the content of the Code based on the topics covered in the section above that are relevant to the company.
2. Endorsement - Make sure that the Code is endorsed by the Chairman, CEO, and/or company owner.
3. Language - See that the Code is written in the official language of your company. Make sure it is also translated for use by employees who speak different languages in different communities where your company operates.

Implementing the Policy

1. Integration - Integrate the Code into standard business operations at the time that it is issued.
2. Circulation - Distribute the Code to all employees in a readable and portable form and give it to all employees upon joining the company.
3. Training - Conduct a training session for all employees when the Code is issued. Train new employees on the Code. Ask those responsible for company training programs at all levels to include issues raised by the Code in their programs.
4. Personal Response - Give all workers the opportunity to respond to the content of the Code. Upon reading 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/or supervisors to state that they and their staff understand and apply the provisions of the Code and raise matters not covered by it.
6. Enforcement - Employees and others should be aware of the consequences of breaching the Code. These consequences should apply to all staff of the company equally.
7. Contracts - Consider making adherence to the Code obligatory by including reference to it in all contracts of employment and linking it with employee disciplinary procedures.

A Code of Business Conduct can be Useful for Small Businesses

Although small businesses are usually characterized by informal understandings and shared expectations among the workforce, a Code of Business Conduct can describe and reinforce the company values and culture, so that they are clear to all stakeholders. It can also guide and support employees in their conduct and provide a context for them to raise concerns.

Maintaining the Policy

1. Regular Review - Have a procedure for regular review and updating the Code. When updated, distribute the new version of the Code to employees.
2. 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.

Endnotes:

- 1 <http://www.wma.net/en/30publications/10policies/g1/index.html>
- 2 <http://www.benafrika.org/>
- 3 <http://www.globethics.net/>
- 4 <http://www.ibe.org.uk/>



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