



**RESPONSIBLE BUSINESS**

# Business Ethics:

## The key issues surrounding the code of ethics

There is a growing consensus among business stakeholders and society at large that mere compliance with legal rules is not enough to live up to the requirements of business integrity. Moreover, legal rules often use vague concepts and ethics are also useful to give concrete expression to the required practices.

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In this regard, we believe managers should consider the key issues identified below:

**1. Does the company have a clear and succinct code of ethics that is applicable in specific situations?**

This is the most basic aspect of seeking to ensure employees behave as they should: there has to be a document that is clear about what conduct is specifically required. It should address with the topic in all areas of the business and it should be relevant, for example, for recruitment, periodic evaluations and feedback and, day-to-day performance. The creation of a culture requires ongoing communication, including posting excerpts of the code on screens in the company's premises and holding talks about it. Talks can involve the whole company or just members of the same team. The code should cover relationships between company employees, as well as relationships with third parties, in particular, customers and suppliers.

**2. Does top management do its part to spread the word on the company's official position on business ethics and the code of ethics itself?**

Studies show that leadership by example is not a myth. Therefore, members of top management should act in accordance with the company's officially stated ethical standards. They should incorporate ethical considerations into their communications, participate in more or less formal conversations about ethics in the company, praise behaviour with a positive impact in ethical terms, and generally perform their duties without ever neglecting ethical considerations. Senior managers themselves should be subject to an evaluation system that incorporates ethical criteria, just like any other employee.

**3. Does the company keep up with developments in business ethics?**

The code of ethics should be revised and updated periodically. Moreover, resources should be allocated to study and monitor the subject, not only to assess the actual practical effectiveness of the rules, but also to identify new initiatives, such as the publication of new principles on ethics by reputable entities in the sector and new studies/articles on the subject.

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**4. Does the company have adequate communication channels to report ethically reprehensible behaviour?**

It is natural for an employee to feel inhibited about reporting the behaviour of a colleague that goes against the Code of Ethics or is ethically reprehensible. This difficulty increases when it concerns the behaviour of someone in a higher position in the company. Therefore, it is essential to create confidential communication channels that provide a safe environment for employees and guarantee their anonymity if they so wish.



**5. Is there a reaction plan in case the company is involved in a scandal with ethical implications?**

The current media and social environment has made media channels, civic organisations and citizens in general increasingly aware of ethical issues. As a result, scandals in the public eye can have a significant impact on the company's reputation in the market in which it operates, with both its customers and investors. It is therefore important for the company to be prepared to act if preventive measures prove insufficient. Taking immediate steps to identify the source of the problem, as well as the immediate launch of an internal investigation and the establishment of a team with internal and external members in which each person already knows what they have to do can make the difference in managing the company's reputation if and when it is threatened, and the extent of the damage to which it may be exposed.

The issues presented here are examples and a case-by-case analysis that takes into account the particular characteristics of each company is essential. ■

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