

**Checklists For**  
**Creating & Maintaining an Ethical Corporate Culture**

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**Ethics & Compliance Officers Association**  
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Checklists are drawn from:

*Ethics & Governance: Developing & Maintaining an Ethical Corporate Culture, 3e,*  
L.J. Brooks & D. Selley  
Canadian Centre for Ethics & Corporate Policy, Toronto, 2008  
(<http://www.ethicscentre.ca>)

**Checklists included:**

- An Ethical Culture: Elements & Motivation
- Leadership, Core Values & Important Issues
- Guidance Communications – Mission Statement, Code of Conduct, Decision Aids
- Development of Commitment & Understanding – Launch
- Reinforcement & Compliance
- Monitoring & Reporting Ethical Performance
- Making Ethical Decisions
- Conflicts of Interest
- International Operations
- Not-for-profit Entities & Small Owner-managed Enterprises

Note: These checklists are downloadable from <http://www.ethicscentre.ca>

<i>Checklist – Creating &amp; Implementing an Ethical Corporate Culture</i>	
<b>An Ethical Culture: Elements &amp; Motivation</b>	
✓	Do your organization's members share a common set of:
	• Beliefs
	• Values
	• Practices
	Is that common set of beliefs, values and practices supported by:
	• Specific identification & communications
	• Codes, guidelines & reinforcement
	• Monitoring, rewards & punishment
	Does your management team understand:
	• The elements of an ethical culture
	• The reinforcers of an ethical culture
	• Possible individual & team outcomes
	• Possible areas of improved effectiveness
	At what level does your company understand that ethical treatment is about how the interests of stakeholders are respected:
	• Board of Directors
	• Executives
	• Managers
	• Workers
	Does your ethical culture factor the need for stakeholder support into:
	• Strategic planning
	• Decision making
	Do your Board, executives, managers & workers understand that an ethical culture:
	• Is good business
	• Enhances trust & reputation
	• Increasing numbers of companies are giving attention to it
	• Is a new benchmark expectation for:
	○ Profit
	○ Corporate citizenship & corporate social responsibility
	○ Awards
	• Preventing surprises
	• Mitigates personal liability
	• Requires diligent risk management
	• Satisfies and encourages altruists

<i>Checklist – Creating &amp; Implementing an Ethical Corporate Culture</i>	
<b>Leadership, Core Values &amp; Important Issues</b>	
✓	Create a Governance & Leadership Framework
	<ul style="list-style-type: none"> <li>• Clarify roles of board &amp; governance/ethics subcommittee, chair, CEO</li> <li>• Identify ethics champion, chief ethics officer &amp; role of each</li> <li>• Identify reporting relationships &amp; expectations</li> <li>• Identify responsibilities and performance expectations</li> </ul>
	Develop the Core Values & Issues Foundation
	Develop Core Value set by considering:
	<ul style="list-style-type: none"> <li>• Reputational values – <i>trustworthiness, credibility, reliability, responsibility</i></li> <li>• Hypernorms – <i>honesty, fairness, compassion, integrity, predictability, and responsibility.</i></li> <li>• Ethical decision making criteria – stakeholder impact analysis</li> <li>• Constructing a Values Desirability Framework</li> </ul>
	Identify important issues requiring cultural guidance by:
	<ul style="list-style-type: none"> <li>• Stakeholder Impact Analysis</li> <li>• Environmental scanning</li> <li>• Stakeholder consultation</li> <li>• Ethics audit</li> <li>• Expectations gap assessment</li> <li>• Ranking issues – <i>urgent claims before powerful and legal</i></li> <li>• Ranking issues – ethics risk assessment</li> </ul>

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<b>Checklist – Creating &amp; Implementing an Ethical Corporate Culture</b>	
<b>Guidance Communications – Mission Statement, Code of Conduct, Decision Aids</b>	
✓	Guidance communications should be based on core values & important issues that are integrated into :
	<ul style="list-style-type: none"> <li>• Strategic goals</li> <li>• Operational goals</li> </ul>
	Effective guidance communications should include:
	<ul style="list-style-type: none"> <li>• Mission Statement <ul style="list-style-type: none"> <li>○ Short, inspiring, focussed on key values</li> </ul> </li> <li>• Code of Conduct <ul style="list-style-type: none"> <li>○ Incorporate core values</li> <li>○ Cover important issues needing guidance</li> <li>○ Choose orientation – integrity or values-based vs. compliance-based, or combination approach</li> <li>○ Use input from all levels</li> <li>○ Use feedback sessions and gap analysis</li> </ul> </li> <li>• Decision Aids <ul style="list-style-type: none"> <li>○ Online or not?</li> <li>○ Usage requirement</li> <li>○ Sniff tests</li> <li>○ Consultation required if problematic</li> <li>○ Key ethical decision criteria</li> <li>○ Reporting requirement</li> </ul> </li> </ul>

<b>Checklist – Creating &amp; Implementing an Ethical Corporate Culture</b>	
<b>Development of Commitment &amp; Understanding – Launch</b>	
✓	Training Program/Ethics Workshop
	<ul style="list-style-type: none"> <li>• Identify ongoing responsibility for development &amp; presentation</li> </ul>
	<ul style="list-style-type: none"> <li>• Organizational leaders speak in person or by video and endorse values &amp; ethics program (CEO, other officers)</li> </ul>
	<ul style="list-style-type: none"> <li>• Workshop leader/facilitator has training or experience</li> </ul>
	<ul style="list-style-type: none"> <li>• Coverage should include: <ul style="list-style-type: none"> <li>○ Introduction</li> <li>○ Ethics program overview</li> <li>○ Mission statement review</li> <li>○ Video (include excerpts from code of ethics and presentation by senior management)</li> <li>○ Code of ethics content review</li> <li>○ Decision aids and frameworks (see Chapter 8) for problems to be faced</li> <li>○ Ethics resources &amp; process (available for guidance &amp; support)</li> <li>○ Group discussion of issues raised in the code, in the workplace, or in case studies from the group's workplace showing how the code should be used as a reference tool</li> <li>○ Questionnaire (to provide anonymous feedback on ethics issues, completeness of coverage of the code, performance, and the training program)</li> <li>○ Compliance sign off agreeing to comply with the organization's ethics policy</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Workshop support should include: <ul style="list-style-type: none"> <li>○ Letter to employees from the workshop leader, inviting them to attend the workshop, and to suggest they anonymously submit ethical issues for possible discussion</li> <li>○ Agenda, video, overheads and handouts</li> <li>○ List of typical ethical issues likely to arise for discussion</li> <li>○ Articles or book extracts to frame key issues</li> <li>○ Questionnaires and compliance sign off cards</li> <li>○ Reinforcement – newsletters</li> <li>○ Assignment of responsibility, measurement of effectiveness, reports, and reporting lines</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Follow-up should include board &amp; senior management review</li> </ul>

<b>Checklist – Maintaining an Ethical Corporate Culture</b>	
<b>Reinforcement &amp; Compliance</b>	
✓	Reinforcement
	Effective Reinforcement of Values
	<ul style="list-style-type: none"> <li>• Identify responsibility</li> <li>• Commitment of leaders</li> </ul>
	Management Communications Concerning Ethical Conduct
	<ul style="list-style-type: none"> <li>• A visible contribution by the CEO at the beginning</li> <li>• Letters by the CEO to senior management, all employees, suppliers, contractors, customers and shareholders should include, introduce, and link communication to the organization's values</li> <li>• A periodic ethics reminder letter can be sent from the CEO to employees, customers, agents &amp; suppliers on a quarterly or semi-annual basis</li> <li>• The chief ethics officer reports to the ethics, governance, or audit subcommittee of the board on the status of the company's ethics program, any instances or patterns of conduct worthy of revised guidance or action, any trends noted in environmental scans that will impact the company, and any suggested revisions to the ethics program</li> <li>• The annual report and annual meeting should include reports from the CEO &amp; directors on how the ethics program is being managed</li> <li>• Speeches given by the CEO should include a reference to the code and ethical issues, whenever appropriate</li> <li>• Employee newsletters should include discussion of relevant ethical issues</li> <li>• Company forms and reports should be modified to reflect the mission statement or code of ethics</li> <li>• A company website could be established to house the code, updates, news events, and awards for good performance</li> <li>• Communications from senior management on specific issues, particularly on strategic and tactical plans, contain references stressing compliance with the organization's code of conduct</li> </ul>
	Reinforcement through management capability development
	<ul style="list-style-type: none"> <li>• Periodically review the code of ethics &amp; criteria, tools, and processes that may be discussed for identifying and resolving ethical issues</li> <li>• Discuss relevant ethical issues with a view to determining whether they were handled properly, whether feedback mechanisms were effective, and whether the code needs to be revised</li> <li>• Hear from, and provide feedback to, the corporation's ethics officer on the matters noted above for reporting to the board subcommittees</li> </ul>
	Reinforcement through an annual ethics training program
	<ul style="list-style-type: none"> <li>• Enhanced and updated from past years, covering current problems</li> </ul>
	Reinforcement through integration into general training

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	<ul style="list-style-type: none"> <li>• Directors' and senior officer sessions</li> </ul>
	Reinforcement through feedback facilitated by:
	<ul style="list-style-type: none"> <li>• Appointment of an ethics officer, or an ombudsperson</li> </ul>
	<ul style="list-style-type: none"> <li>• An ethics inquiry hotline</li> </ul>
	<ul style="list-style-type: none"> <li>• Ethics committees</li> </ul>
	<ul style="list-style-type: none"> <li>• Subcommittee of the board of directors for general oversight</li> </ul>
	<ul style="list-style-type: none"> <li>• Employee assistance programs</li> </ul>
	<ul style="list-style-type: none"> <li>• A protected whistle-blowing program designed internally, or out-sourced, to induce the greatest level of employee trust</li> </ul>
	Effective feedback processes have:
	<ul style="list-style-type: none"> <li>• Sufficient resources to permit follow-up</li> </ul>
	<ul style="list-style-type: none"> <li>• Documentation of feedback received</li> </ul>
	<ul style="list-style-type: none"> <li>• Criteria to help establish priorities</li> </ul>
	<ul style="list-style-type: none"> <li>• Policies concerning confidentiality</li> </ul>
	<ul style="list-style-type: none"> <li>• Management involvement when policies are challenged on ethical grounds</li> </ul>
	<ul style="list-style-type: none"> <li>• Feedback to the individual who raised the matter, and when relevant, to all employees</li> </ul>
	Reinforcement through recognition
	Reinforcement through job descriptions and reward systems
	Reinforcement through Whistle-blower Programs & Inquiry Services
	<ul style="list-style-type: none"> <li>• Whistle-blower anonymity</li> </ul>
	<ul style="list-style-type: none"> <li>• Whistle-blower protection</li> </ul>
	<ul style="list-style-type: none"> <li>• Rapid &amp; fair investigation</li> </ul>
	<ul style="list-style-type: none"> <li>• Confidentiality of findings</li> </ul>
	<ul style="list-style-type: none"> <li>• Quarterly or annual reports of inquiries and follow-up made to very senior officers and to a subcommittee of the board of directors</li> </ul>
	An ongoing Monitoring or Review Mechanism
	<ul style="list-style-type: none"> <li>• Responsibility assigned</li> </ul>
	<ul style="list-style-type: none"> <li>• Report to board subcommittee</li> </ul>
	Employee and Management Compliance
	<ul style="list-style-type: none"> <li>• Sign off of compliance cards when hired</li> </ul>
	<ul style="list-style-type: none"> <li>• Annual sign off</li> </ul>
	Evaluation of effectiveness of the Chief Ethics Officer and his or her supporting ethics committee with regard to reporting and actions taken with regard to the items noted below:
	<ul style="list-style-type: none"> <li>• The ethics program generally</li> </ul>
	<ul style="list-style-type: none"> <li>• Communications processes established</li> </ul>
	<ul style="list-style-type: none"> <li>• Employee training programs, including lunch and learn sessions</li> </ul>
	<ul style="list-style-type: none"> <li>• Reinforcement and compliance initiatives</li> </ul>
	<ul style="list-style-type: none"> <li>• Processes designed to obtain employee feedback and to follow-up on such feedback</li> </ul>
	<ul style="list-style-type: none"> <li>• Processes designed to address violations and actions taken</li> </ul>

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	<ul style="list-style-type: none"> <li>• Processes designed to address new concerns and issues</li> </ul>
	<ul style="list-style-type: none"> <li>• Integration of ethical performance goals into job descriptions and remuneration systems.</li> </ul>
	Addressing violations of the code of ethics
	<ul style="list-style-type: none"> <li>• Identification of responsibility for addressing violations</li> </ul>
	<ul style="list-style-type: none"> <li>• Fairness &amp; speed of hearing process</li> </ul>
	<ul style="list-style-type: none"> <li>• Adequacy of penalties assessed</li> </ul>
	<ul style="list-style-type: none"> <li>• Communication about violations to all employees and other stakeholders</li> </ul>

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<b>Checklist – Maintaining an Ethical Corporate Culture</b>	
<b>Monitoring &amp; Reporting Ethical Performance</b>	
✓	Measurement of CSR
	<ul style="list-style-type: none"> <li>• Historical measures <ul style="list-style-type: none"> <li>○ Existence of statements of guidance, their currency, and their reinforcement</li> <li>○ Employment record, including total staff, number of women, and minority group members in board or management positions</li> <li>○ Amount of charitable donations</li> <li>○ Existence and nature of community relations programs</li> <li>○ Labour relations and health and safety</li> <li>○ Environmental management indicators</li> <li>○ Environmental performance indicators</li> <li>○ Ethical sourcing and trading policies</li> </ul> </li> <li>• Anticipatory measures <ul style="list-style-type: none"> <li>○ Employee attitude surveys such as those undertaken by Walker Information</li> <li>○ Customer or other stakeholder surveys</li> <li>○ Evaluation by paid shoppers or solicited customer comments</li> </ul> </li> <li>• Quality assessments of <ul style="list-style-type: none"> <li>○ Code of conduct</li> <li>○ Training programs</li> <li>○ Reinforcement mechanisms, including: <ul style="list-style-type: none"> <li>• Newsletters, correspondence</li> <li>• Pay and reward systems</li> <li>• Promotion</li> <li>• Protection for whistle-blowers</li> <li>• Follow-up on reported problems</li> <li>• Speed</li> <li>• Fairness of investigation, hearing, and of penalty assigned</li> </ul> </li> </ul> </li> <li>• Depth of involvement <ul style="list-style-type: none"> <li>○ Employees level of understanding of ethical issues</li> <li>○ The principal motivator for an employee’s ethical behaviour</li> <li>○ Whether an employee is disposed to raise ethical concerns due to his or her perception of his or her ability to affect the outcome of such debates (locus of control tests)</li> <li>○ The degree of inclusion of ethical concerns in, “the development of plans”</li> </ul> </li> </ul>
	Monitoring CSR
	<ul style="list-style-type: none"> <li>• Internal reports</li> </ul>

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	<ul style="list-style-type: none"> <li>• External reports</li> </ul>
	<ul style="list-style-type: none"> <li>• Comparative assessment of results with: <ul style="list-style-type: none"> <li>○ Strategic objective key success factors</li> <li>○ Similar organizations</li> <li>○ Best-practice alternatives for benchmarking</li> <li>○ Published standards such as those described above</li> <li>○ Industry statistics and averages</li> <li>○ Management by objective targets</li> <li>○ Results obtained in earlier periods</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Report to Board</li> </ul>
	Public Reporting of CSR
	<ul style="list-style-type: none"> <li>• Consider <ul style="list-style-type: none"> <li>○ GRI (G3)</li> <li>○ AccountAbility (AA1000)</li> <li>○ SA 8000</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Audit or Verification of CSR Reports <ul style="list-style-type: none"> <li>○ External Audit Firm</li> <li>○ External individual or committee</li> </ul> </li> </ul>
	See also Tables at end of Chapter

<b>Checklist – Special Topics</b>	
<b>Making Ethical Decisions</b>	
✓	Ethical Decision Aids & Frameworks
	<ul style="list-style-type: none"> <li>• In use               <ul style="list-style-type: none"> <li>○ Voluntary</li> <li>○ Mandatory</li> </ul> </li> <li>• Training Session</li> <li>• Refresher session</li> <li>• Sniff tests</li> <li>• Stakeholder Impact Analysis used to assess:               <ul style="list-style-type: none"> <li>○ Identify all stakeholders' interests</li> <li>○ Rank all stakeholders' interests</li> <li>○ Potential consequences of decisions or actions</li> <li>○ Duty, right, and justice impacts</li> <li>○ Demonstration of expected virtues</li> <li>○ Overall Net Benefit</li> <li>○ Sustainability</li> <li>○ Moral Imagination</li> <li>○ Iteration</li> </ul> </li> <li>• Avoid Commons Pitfalls               <ul style="list-style-type: none"> <li>○ Focusing on short-term profit and shareholder-only impacts</li> <li>○ Focusing only on legalities</li> <li>○ Fairness, but not for all stakeholders</li> <li>○ Respect for rights, but not for all stakeholders</li> <li>○ Conflicts of interest</li> <li>○ Failure to identify all stakeholder groups, rank their interests, and understand their interconnectedness</li> <li>○ Leaving out one of the Key Stakeholder Impact Analysis Approaches: Consequentialism, Rights and Duties, or Virtue Expectations</li> <li>○ Failure to exercise Moral Imagination</li> </ul> </li> <li>• Decision Aids               <ul style="list-style-type: none"> <li>○ Do they exist</li> <li>○ Are they online</li> <li>○ Are they mandatory</li> </ul> </li> <li>• Documentation &amp; Reporting Guidance</li> <li>• Required Consultation if initial assessment indicates problems</li> <li>• Identification of knowledgeable counsellor (chief ethics officer)</li> </ul>

<i>Checklist –Special Topics</i>	
<b>Conflicts of Interest</b>	
✓	Training Program/Ethics Workshop
	<ul style="list-style-type: none"> <li>• Includes conflicts of interest material identifying: <ul style="list-style-type: none"> <li>○ Potential Conflicts</li> <li>○ Actual Conflicts</li> <li>○ Apparent or imaginary Conflicts</li> </ul> </li> <li>• Includes conflicts of interest material on the management of: <ul style="list-style-type: none"> <li>○ Potential Conflicts</li> <li>○ Actual Conflicts</li> <li>○ Apparent or imaginary Conflicts</li> </ul> </li> <li>• Includes material on: <ul style="list-style-type: none"> <li>○ Employee fraud</li> <li>○ Institutional or organizational fraud</li> <li>○ The Fraud Triangle</li> <li>○ Information risks <ul style="list-style-type: none"> <li>▪ Insider training</li> <li>▪ Chinese Walls</li> </ul> </li> <li>○ Agency theory</li> </ul> </li> </ul>
	Organizational Codes, Guidelines & Policies
	<ul style="list-style-type: none"> <li>• Include: <ul style="list-style-type: none"> <li>○ Rationale for avoidance</li> <li>○ Management of risk</li> <li>○ Consultation with superior or ethics officer</li> <li>○ Guidance for gifts, bribes</li> </ul> </li> <li>• Reinforcement mechanisms</li> <li>• Monitoring mechanisms</li> <li>• Compliance mechanisms</li> </ul>

<i>Checklist –Special Topics</i>	
<b>International Operations</b>	
✓	Do Policies, Codes, Guidelines & Practices consider:
	<ul style="list-style-type: none"> <li>• Impacts on local economies &amp; their cultures, including:               <ul style="list-style-type: none"> <li>○ Labour markets: wage rates, supply</li> <li>○ Raw material and other input markets</li> <li>○ Political and legal processes</li> <li>○ Environmental conditions</li> <li>○ Religious and social customs</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Conflicts between domestic and foreign cultures               <ul style="list-style-type: none"> <li>○ Bribery</li> <li>○ Use of prison labour</li> <li>○ Unhealthy labour conditions</li> <li>○ Poor treatment of women</li> <li>○ Support of repressive regimes</li> <li>○ Lack of respect for the environment</li> <li>○ Nepotism</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Bribery &amp; facilitating payments               <ul style="list-style-type: none"> <li>○ Disfunctionality</li> <li>○ Undermining of codes, values, and ethics standards</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Use of moral imagination</li> </ul>

<i>Checklist – Special Topics</i>	
<b>Not-for-profit Entities &amp; Small Owner-managed Enterprises</b>	
✓	<b>Does the organization consider or have</b>
	<ul style="list-style-type: none"> <li>• Exemplary tone at the top</li> <li>• Code of conduct featuring: <ul style="list-style-type: none"> <li>○ Honesty</li> <li>○ Transparency</li> </ul> </li> <li>• Training &amp; notification to ensure employees know expectations</li> <li>• Ethical Governance Principles including monitoring</li> <li>• Internal controls to remove temptation for employees</li> <li>• Dual cheque signing with a second knowledgeable signatory performing due diligence</li> <li>• Prior review of all significant transactions</li> <li>• Review &amp; reconciliation of Bank Statements</li> <li>• Review reports for significant transactions</li> <li>• Monitoring for financial distress of employees</li> <li>• Scrupulously honest grant or fund raising procedures</li> <li>• Transparent financial reports</li> <li>• Audit of financial statements</li> <li>• Internal audit function if needed</li> <li>• Whistle-blowing mechanism</li> <li>• Ongoing contact and chats with employees</li> <li>• All senior employees must take a vacation</li> </ul>