

LRN Code of Conduct Report

Rules are good,
values are better,
design matters.

July 2023





LRN evaluated nearly 200 codes of conduct deployed by companies around the world. This report presents a set of best practices in code design and implementation. It also provides a powerful benchmark for companies to assess the effectiveness and impact of their own codes. This research supports LRN's view that codes of conduct are foundational in the development and management of ethical corporate cultures and in meeting rising stakeholder expectations for ethical workplace conduct.

Introduction

A code of conduct is your organization’s character and culture written down. It is an articulation of who you are, what you believe, and why you are in business. It provides insight into what you value and how you live those values: how you behave, make decisions, pursue goals, and ensure integrity, honesty, respect, and fairness across the enterprise.

It is—quite literally—the very foundation of a company’s ethical corporate culture.

A code of conduct provides a reference and resource for employees seeking to succeed in their work. It offers an inside look for prospective employees and other stakeholders to get a sense of a company’s corporate character.

A code isn’t a static document, however.

Over the last 20 years, codes of conduct have undergone an evolution. What were once textbook-sized rule books, covering all manner of what

you *can* and *cannot* do, codes now seek to illustrate values-based principles of what you *should* and *should not* do.

Gone are the days of writing codes of conduct with pages of unreadable text, legalistic language, and corporate jargon. These have been replaced with codes of conduct that are visually engaging, readable, and useful to employees as guides to help them make ethical decisions and do the right thing.

Today’s best codes provide a behavioral framework for individuals, teams, leaders, and organizations (and their business partners) regardless of affiliation, level, or geography. They also leverage advanced technology for easy access, better employee engagement, and just-in-time insights for navigating the grey areas that are inevitable in the new world of work.

An effective and impactful code, according to the [LRN Benchmark of Ethical Culture](#), is a critical enabler of a strong ethical culture that drives both ethical conduct and stronger business performance as an outcome.

To break these goals into more actionable practices and identify gaps in code of conduct development, LRN assessed nearly 200 codes from some of the top companies headquartered in Asia, Europe, and the United States. Specifically, we looked at the top 40 companies in the CAC (France), DAX (Germany), FTSE (UK), NIK (Japan), SGX (Singapore) and S&P (USA) stock exchange listings; 195 out of the 240 companies had publicly available codes, which formed the basis of our analysis. We wanted this report to be international in scope. At the same time, we are acknowledging that corporate ethics and compliance programs should have reached a substantial level of maturity in these regions due to a preponderance of regulation and stakeholder expectations.

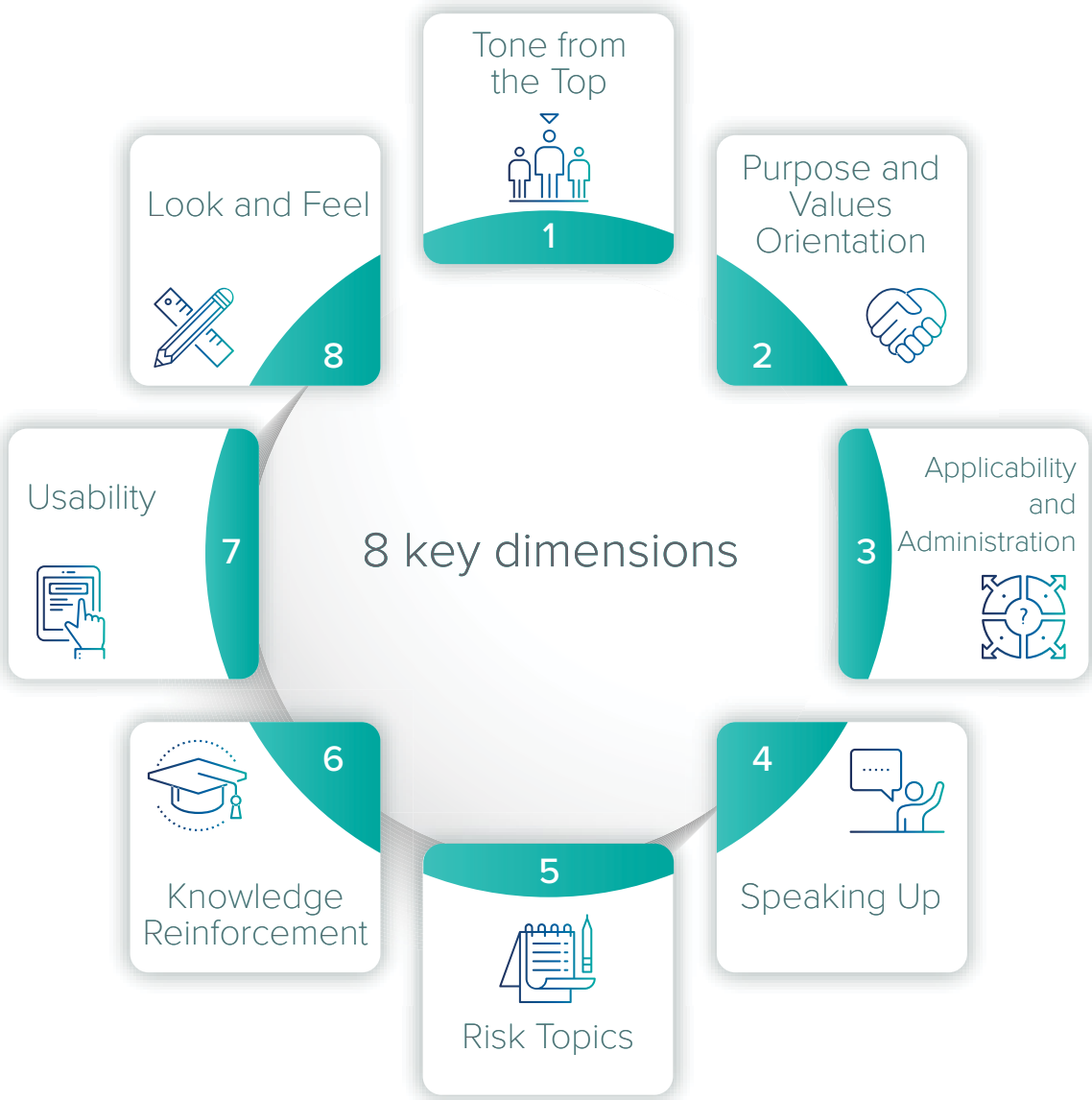
LRN assessed the codes featured in this report using our proprietary Code of Conduct Assessment Tool, originally established in 2015 and updated over time to reflect the latest regulatory and best practice guidance, as well as our 27 years of experience and research into ethical culture and ethics and compliance program effectiveness. The tool yields a concrete, objective, and comprehensive measurement of excellence based on 47 questions that map to 8 dimensions of code effectiveness.

Code assessment questions are answered on a scale of 1 to 5, yielding an average score for each dimension as well as an overall score (the average of the 8-dimension scores). Categorization at the dimension and overall level is defined below.

“What were once textbook-sized rule books, covering all manner of what you *can* and *cannot* do, codes now seek to illustrate values-based principles of what you *should* and *should not* do.”



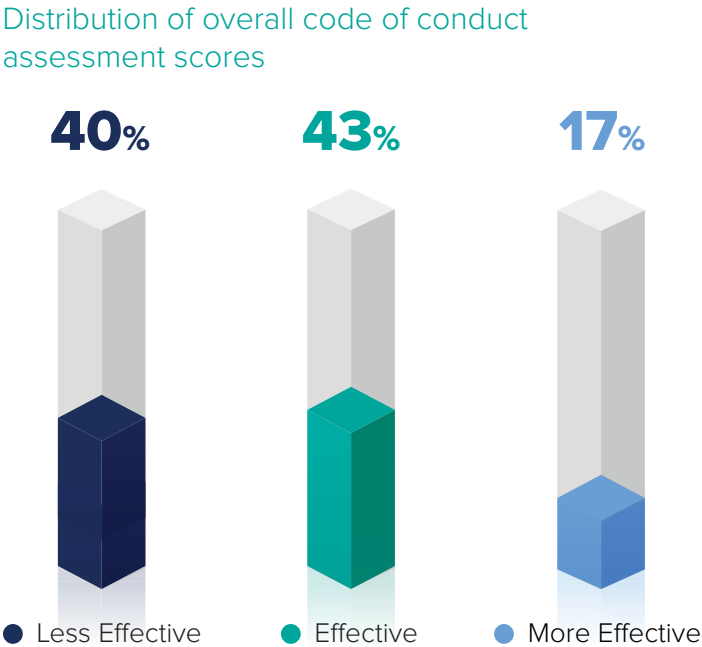
Eight dimensions of code effectiveness



These eight dimensions form the basis of our code assessment framework. We also evaluated various readability metrics, including page length, word count, reading time, tone, and the Flesch-Kincaid Grade Level, a widely used readability formula that assesses the approximate reading grade level of a text.

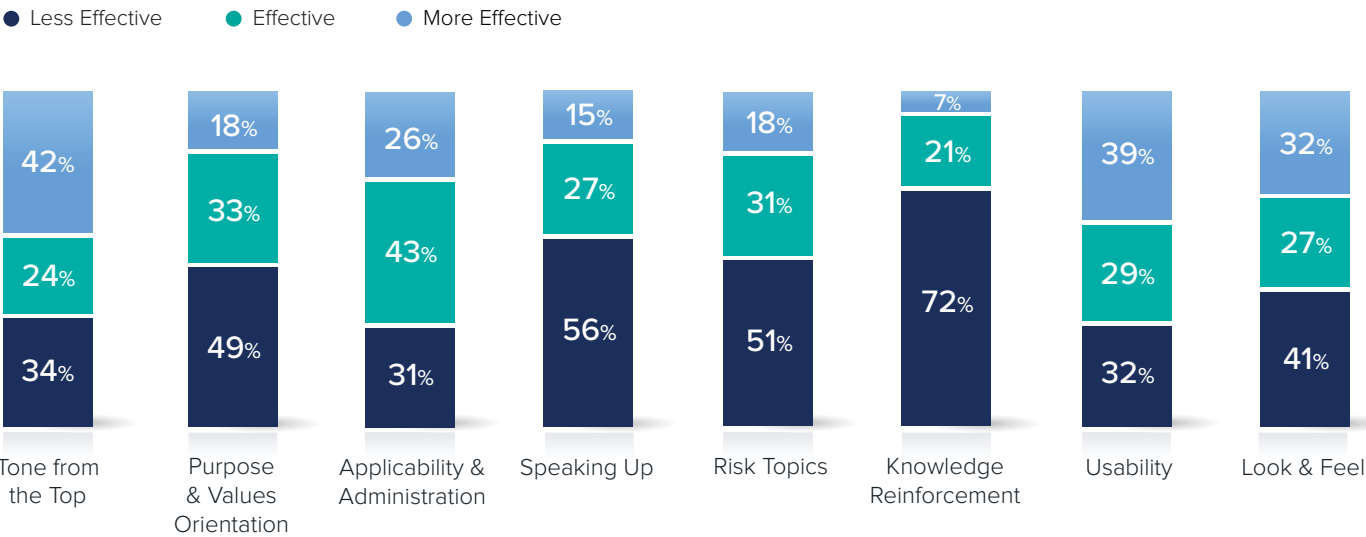
Executive Summary

Overall results



First, the good news. A combined 60% of all the codes of conduct evaluated for this report fell in the Effective and More Effective categories. This indicates that many companies understand the need for a code of conduct and the basic standards and expectations around codes. The bad news is that only 17% of were considered More Effective. This suggests that there is significant room for improvement across some of the largest companies in the world.

Distribution of scores by dimension



Tone from the Top is the dimension with the highest percentage of codes in the top, or More Effective, category. Having strong support from top management is an essential element in establishing and maintaining a strong culture of ethics and compliance.

Usability is another area of strong performance, with more than one-third of all codes landing in the More Effective category. This is encouraging, as codes are increasingly considered to be useful resources to help guide employees in making ethical decisions and doing the right thing.

On the other hand, Knowledge Reinforcement is the dimension with the most room for improvement, with only 7% of codes rated in the More Effective category.

Code effectiveness across companies

Average scores across dimensions

	Overall	CAC 40	DAX 40	FTSE 100	NIK 40	S&P 100	SGX 30
Total score	2.6	2.5	2.7	2.8	2.2	3.0	1.9
Tone from the Top	3.0	3.0	3.2	3.0	2.3	3.7	1.8
Purpose & Values Orientation	2.5	2.4	2.7	2.8	2.0	2.7	1.6
Applicability & Administration	2.8	2.9	2.9	2.7	2.4	3.3	2.3
Speaking Up	2.4	2.2	2.5	2.8	2.0	2.8	2.0
Risk Topics	2.4	2.1	2.7	2.8	2.3	2.5	2.0
Knowledge Reinforcement	1.8	1.7	1.8	1.9	1.4	2.3	1.1
Usability	3.0	3.0	3.0	3.4	2.7	3.3	2.2
Look & Feel	2.7	2.6	2.8	3.1	2.3	3.0	1.8

Data is the average score on scale of 1-5



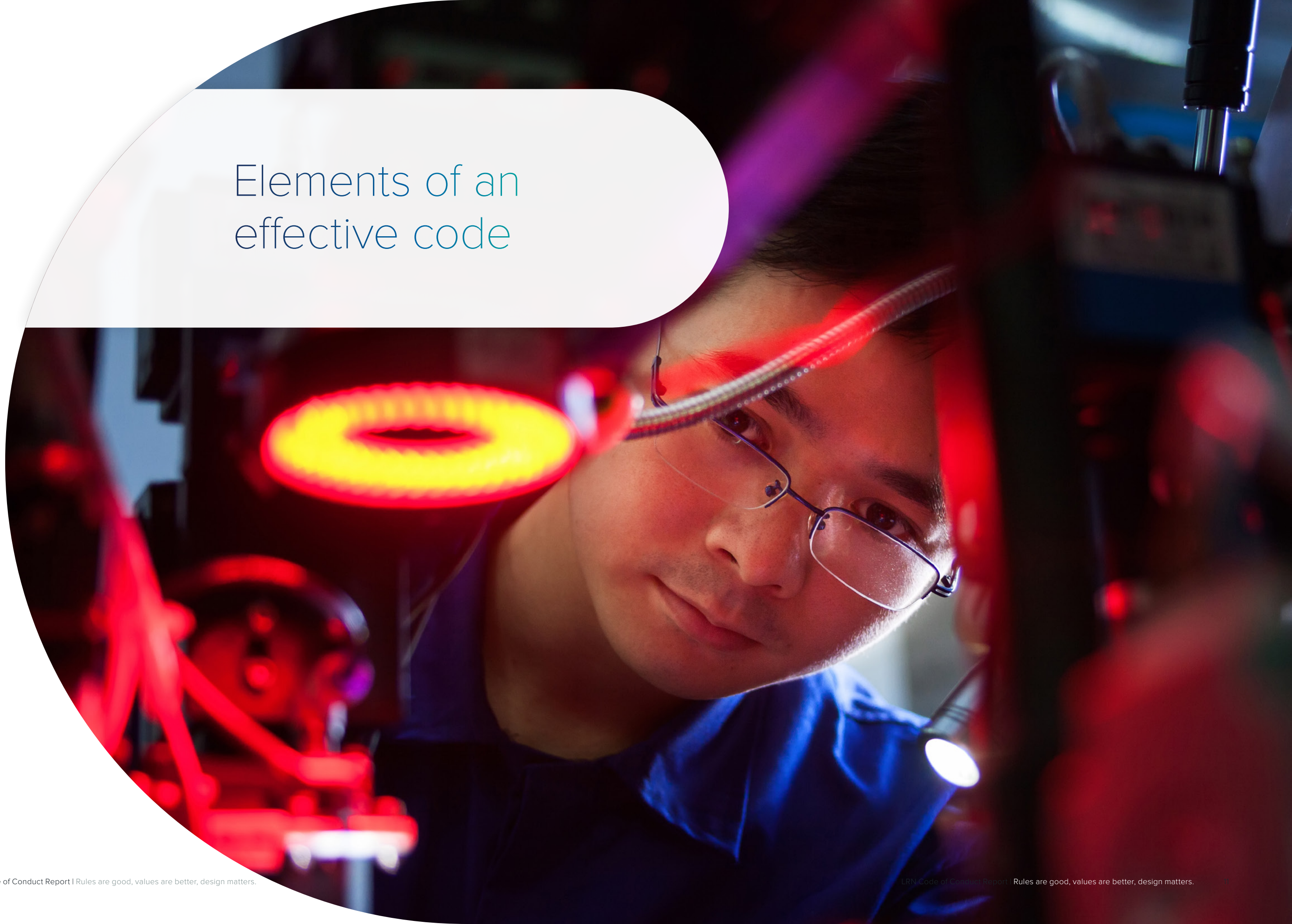
LRN characterizes the effectiveness of codes by tiers of Less Effective, Effective, and More Effective. (For those looking for actionable guidance, these can roughly translate into Needs work, Serviceable, and Excellent.) Our research finds that More Effective codes perform better at:

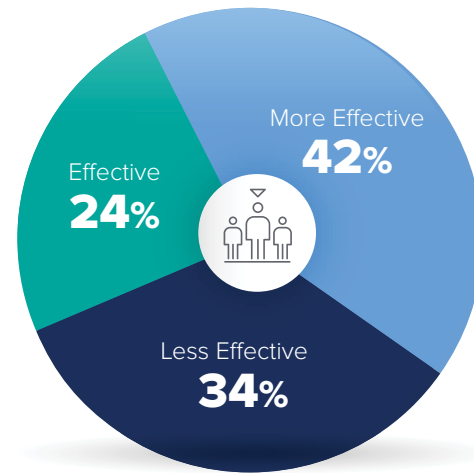
- Communicating a leadership message that connects employees to purpose and company heritage.
- Integrating and providing behavioral guidance around their values and mission.

- Referencing specific responsibilities and expectations of stakeholders.
- Providing details on the resources for reporting concerns and making those resources accessible.
- Covering important risk areas and giving values-based business rationale for risk-mitigating measures.

- Incorporating multiple types of reinforcement tools throughout the document.
- Ensuring the document is laid out as a guide: linked, easy to read, and logically organized.
- Unifying the document with company branding and reinforcing the culture visually.

Elements of an effective code





Dimension 1 results

Tone from the top

Codes of conduct are the cornerstone of an E&C program and provide guidance for all employees—including top executives. LRN’s research and experience has shown that in organizations with highly effective E&C programs, the C-Suite understands the compliance risks facing the organization and supports mitigation measures. An impactful way to cascade this tone is through an inspiring message from the CEO that demonstrates a commitment to ethical behavior and living the values of the organization. CEO messages that set out the purpose and values of the organization—and align them to the code as a guiding document—are more effective in this dimension.

While
72% of all codes assessed include a leadership message...

Only
48% of Less Effective codes have a leadership message...

Compared to
93% of More Effective codes.



What does “good” look like?



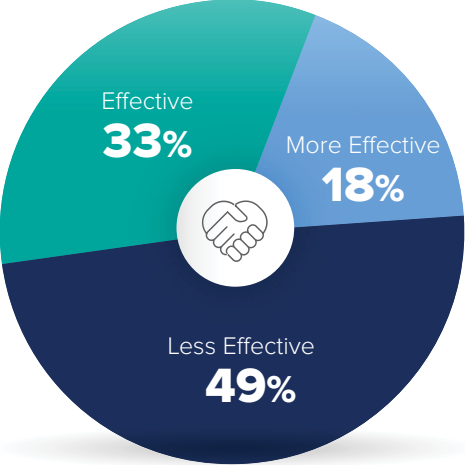
Top code tips:

A strong leadership message goes a long way in setting the tone for a culture of ethics and compliance. Keep it short. Make it inspiring. Tie to purpose and values. Include unique aspects of the organization—culture, business, heritage, and positive impact on society and the world.



Top code tips:

Make values the centerpiece of your code and infuse them throughout the document. Explain how the code heightens employee risk awareness, enhances decision-making, and helps strengthen culture. Create a unique theme that ties together your organization’s brand, business, values, and commitment to doing business the right way.



Dimension 2 results

Purpose and values orientation

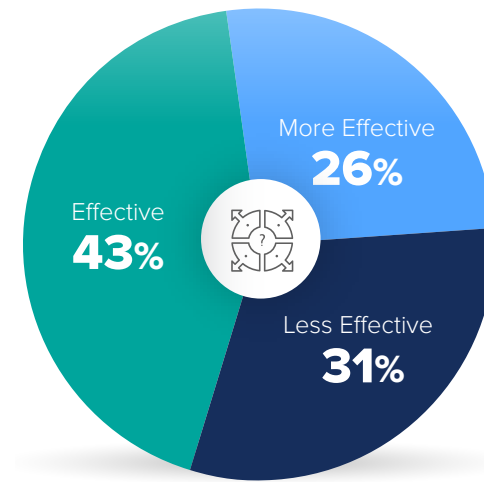
With the growing focus on ESG (environmental, social, and governance objectives), many companies are focusing more and more on their organization’s purpose and values. The code of conduct is a natural vehicle for “operationalizing” an organization’s purpose and values. Purpose is why people come to work every day and stay with the company long-term. Values are how the organization goes about fulfilling its purpose. The code takes those values and breaks them down into specific behavioral expectations for how employees treat one another, customers, and the communities they serve.

- 65% of all codes reference organizational values.
- 56% of all codes reference the organization’s purpose.
- 78% of More Effective codes feature a unique theme that connects to the organization’s purpose, brand identity, and business activities.



What does “good” look like?





Dimension 3 results

Applicability and administration

Being clear about to whom the code applies and how it's implemented and enforced sets expectations up front. By stating responsibilities and expectations clearly, the code encourages a culture of transparency and organizational justice. Employees will be encouraged to learn that the code applies to everyone equally—regardless of level or function.

83% of all codes are expressly applicable to employees, officers, and directors.

Only **43%** of all codes make specific reference to leaders' and supervisors' additional responsibilities related to ethics and compliance, though More Effective codes do so to a much greater degree: **90%** compared to only, **10%** of Less Effective codes.

Only **48%** of all codes extend applicability to contractors, agents, and others working on behalf of the company. This is significant as companies can be held accountable for the actions of third parties.

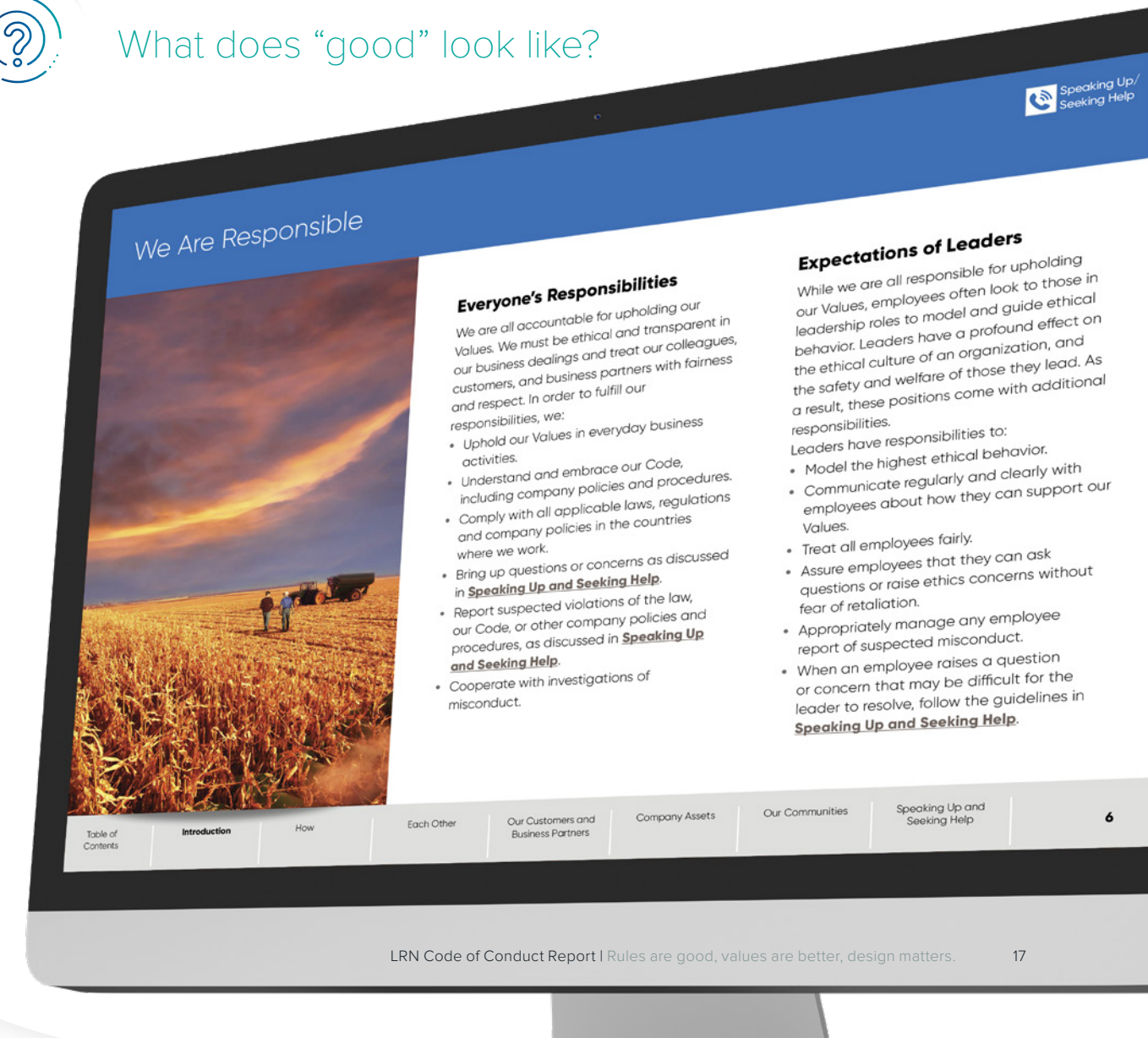
Only **17%** of all codes explain the procedure for investigation of misconduct.

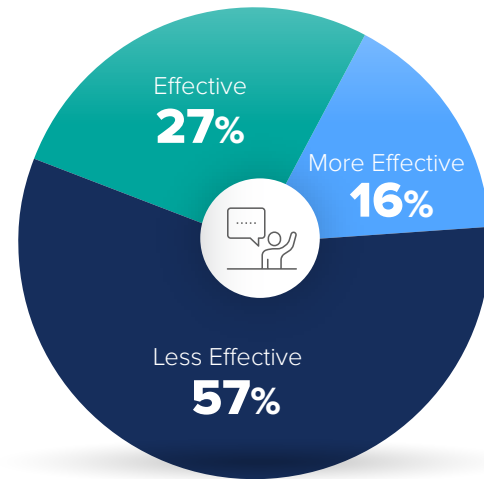
Top code tips:

Your code should be expressly applicable to all employees, leaders, officers, and directors as well as contractors, agents, and anyone working on behalf of the company. In addition to outlining everyone's responsibilities for complying with the code, be sure to highlight the unique responsibilities of managers to be role models for their teams to follow. Outlining the procedures for taking in reports and conducting investigations will go a long way toward building trust in the process.



What does "good" look like?





Dimension 4 results

Speaking up

A code of conduct should help employees and other stakeholders understand how to get answers, seek advice, and raise concerns. Having an accessible reporting process, including a helpline available wherever your company operates, reinforces the importance of raising concerns. By summarizing the reporting channels available to employees—and describing what happens when concerns are raised—codes can help foster trust and transparency. Stakeholders will know what to expect, where to go for help, and understand how they will be protected from retaliation.

64% of all codes have a section on speaking up, including **90%** of More Effective Codes.

57% of all codes have a strong non-retaliation policy.

More Effective codes are **10x** more likely to include hotline/helpline details: **96%** compared to only **8%** of Less Effective codes.



Top code tips:

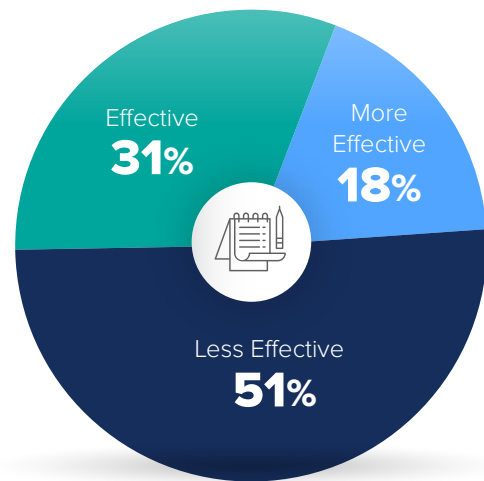
Your code of conduct should include multiple resources for asking questions, raising concerns, and reporting potential violations. Be sure to address anonymous reporting and the extent to which confidentiality can be maintained. Make it very clear that retaliation is itself a violation of the code and will result in disciplinary action.



What does retaliation look like?

Retaliation can take many forms, some subtle and some more direct. Include these examples in your code of conduct to help your employees recognize retaliation when they see it or experience it. If the following actions are taken as “punishment” for speaking up or participating in an investigation, it could constitute retaliation:

- ⊗ Threatening, bullying, or belittling
- ⊗ Suspension, demotion, or termination
- ⊗ Denial of benefits
- ⊗ Denial of raise, bonus, or promotion (when otherwise deserved)
- ⊗ Setting up for failure through overly burdensome and unrealistic expectations
- ⊗ Negative performance reviews (when not warranted)
- ⊗ Removal from key accounts or projects
- ⊗ Reduction of hours



Dimension 5 results Risk topics

One of the primary purposes of a code of conduct is to help mitigate the key E&C risks faced by an organization. Your code should provide high-level guidance to help make employees aware of these risks and understand the principles and standards they can follow to help avoid or manage these risks.

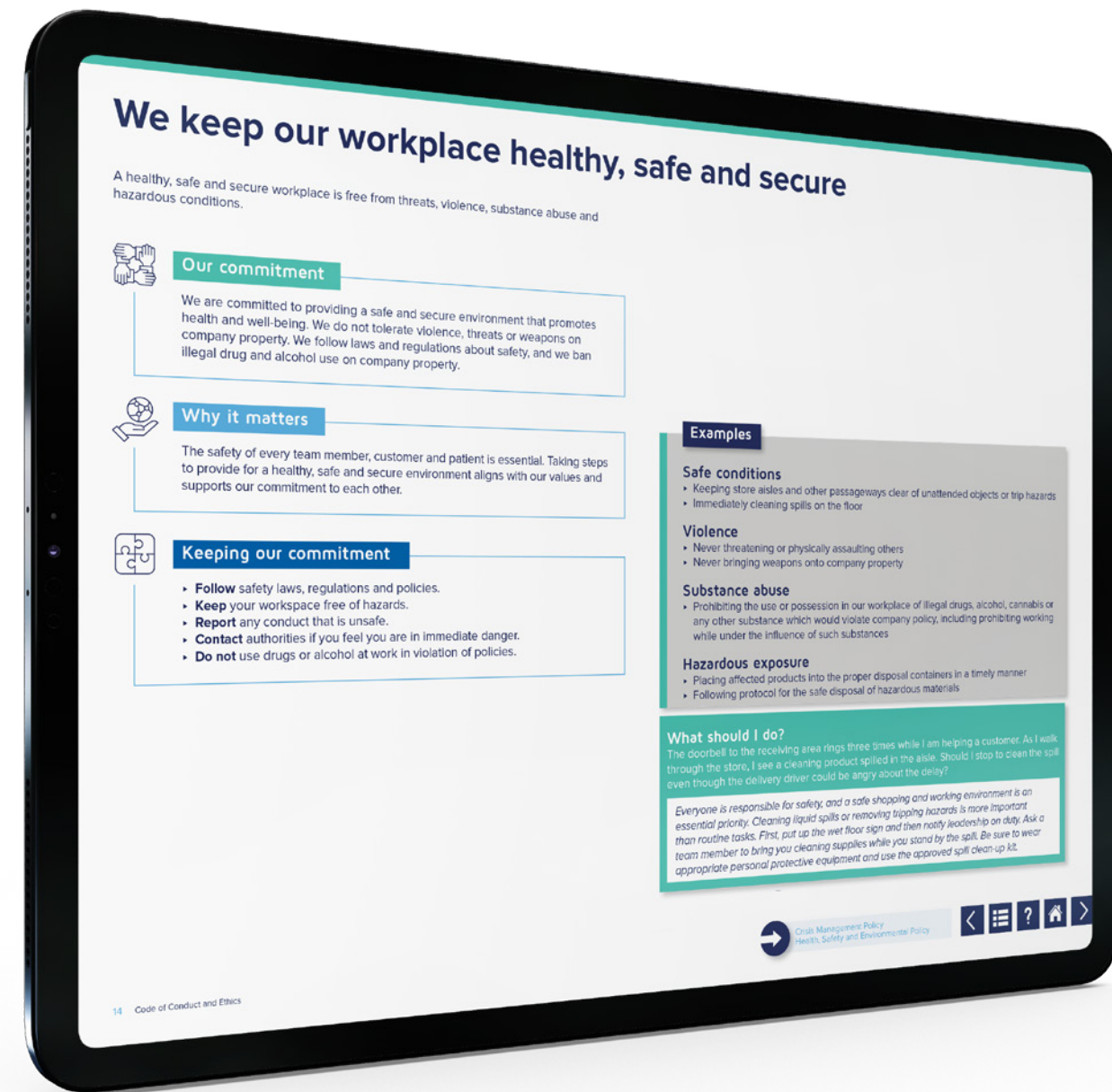
54% of all codes provide the business rationale for guidance related to specific risks, thereby making behavioral expectations more relevant and contextualized—employees are able to understand the *why* and connect that to their work. More Effective codes do this to a greater degree: **88%** compared to only **35%** of Less Effective ones.

More Effective codes are much more likely to address a comprehensive range of risk topics, consistent with the organization's industry and sphere of operations: **76%** compared to only **15%** of Less Effective codes.

The average number of risk topics covered in depth is **17**—with More Effective codes averaging **23**.



What does “good” look like?



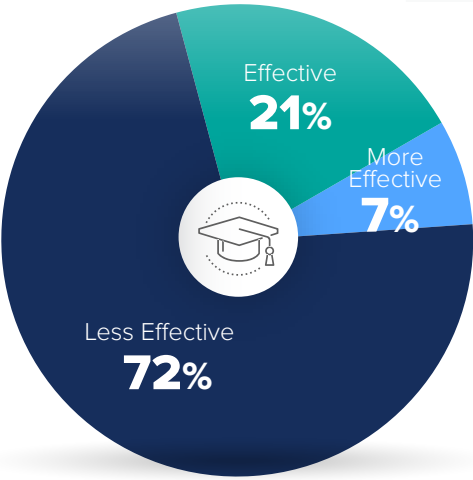
Top code tips:

Your code of conduct should cover a comprehensive range of E&C risk topics, grounded in your risk assessment. A good rule of thumb is to cover all medium and high risks that apply to at least 80% of your workforce. Be sure to include the business rationale—the *why*—for each topic. That is, not just the potential punitive measures that can result from a violation, but how following the principles makes us better as employees, teams, and as a company.

Dimension 6 results

Knowledge reinforcement

In the past, codes of conduct were sets of rules—“shalls” and “shall nots”—that employees were expected to follow. More and more, codes of conduct are becoming useful resources for employees to come back to time and again to find the information they need to make ethical decisions and do the right thing. This dimension is, by far, the one that needs the most work. Our review indicates that Knowledge Reinforcement represents the greatest opportunity for improvement across all indexes.



Only **7%** of all codes are rated as being More Effective in this dimension—the lowest percentage of all dimensions.

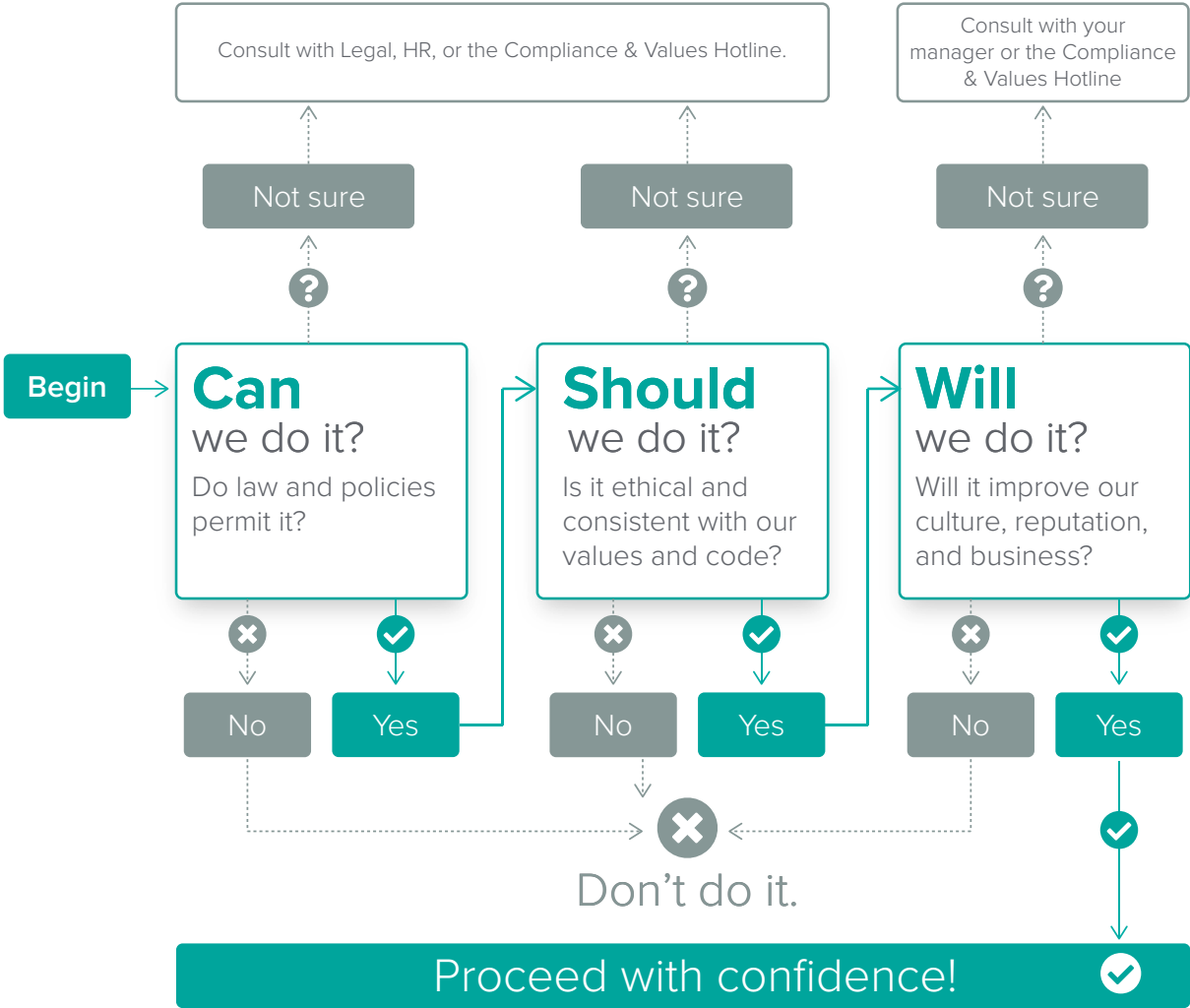
Only **33%** of all codes direct readers to specific policies—although **72%** of More Effective codes do.

Only **30%** of all codes contain Q&As or real-life scenarios. In addition, this is the metric where we see the greatest gap between More Effective and Less Effective codes. **88%** of More Effective codes include scenario-based Q&As, compared to only **4%** of Less Effective Codes: a **20x** multiplier.

Just **25%** of codes include an ethical decision-making model.

Ethical decision-making model

An ethical decision-making model is a powerful tool to include in a code of conduct. Because a code cannot cover every situation an employee may face on the job, providing a framework for thinking through ethical dilemmas or uncertain situations can be a big help. Here’s an example of what an ethical decision-making model could look like.

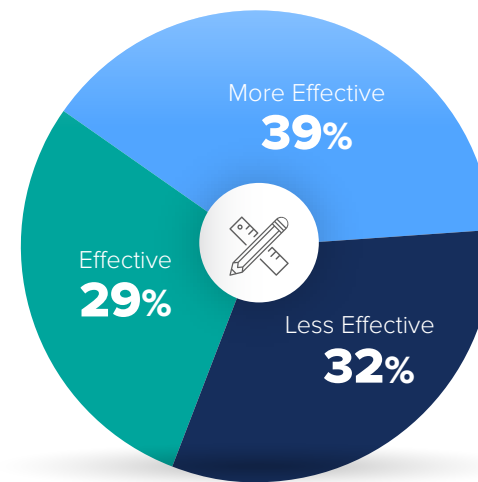




Web-based codes—the next generation of usability

For the past 10 to 15 years, the majority of codes of conduct have been presented in digital PDF format. Over that time, the features and functions available in this format evolved significantly. Digital PDFs can be made to have full navigability, with internal links to move around within the document and external links to policies, training, and other resources.

Web-based codes, or microsites, are now starting to replace the digital PDF. Putting your code into the form of a microsite takes the usability of your code to the next level. It will give your employees the ability to navigate the code even more easily by way of a responsive menu, a true search capability, and a live index. Your web-based code will have an increased level of interactivity, which will enhance reader engagement. Finally, unlike a PDF, user interactions with the content can be tracked and analyzed, providing valuable insights into which topics your employees are engaging with the most.



Dimension 7 results Usability

A code can be full of great information, but if it isn't usable, it becomes difficult for employees to refer to on a regular basis. By focusing on how the content is presented, organizations can create codes that employees can easily navigate, read, and utilize. Codes that provide hyperlinked resources, such as reporting websites or emails and policies, easily provide accessibility and make the document more usable.

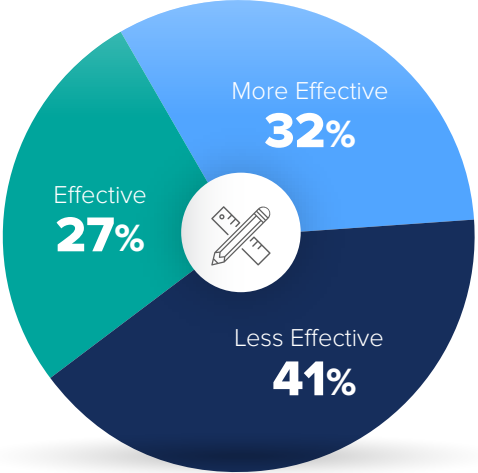
Top code tips:

Make your code easy to use, so employees will come back to it whenever they have a question about ethics and compliance or need more information about a particular risk topic or policy. Employees should be able to easily navigate from the table of contents to any section in the code and back again. Organize your code along clear, logical lines that will resonate with employees and help them quickly find the information they need. For example, many codes organize their risk topics or code sections by the stakeholder group that is most central to that topic; others use their corporate values as an organizing structure. Finally, write your code in plain language that is easily understandable by your entire workforce. Rule of thumb: if your code needs a glossary, it's too complicated.

Dimension 8 results

Look and feel

Anyone who reads through your code of conduct should immediately get a sense of your unique organization—who you are, why you exist, what you value, how you operate, and how you treat those with whom you interact. Your code should be visually engaging, including photos of employees, places, and products that represent your company. The code should mirror your company’s brand. By optimizing these qualities, codes become an integral document for the company, rather than a document that only the E&C department cares about.



62% of all codes (**96%** of More Effective codes) avoid large blocks of text that can hinder reading through the use of layout, white space, and bullet lists.

54% of all codes use images and graphics to enhance the reader’s experience.

96% of More Effective codes use text callouts, sidebars, and other means of highlighting content, compared to only **10%** of Less Effective ones.



Top code tips:

Do all you can to make your code look inspiring, engaging, and unique. Use graphic design, images, color, space, and callouts to maximize visual impact and reader engagement.

Your code may look great, but what does it do?

Your code should be more than just a nicely branded document. It is, in essence, the primary framework for driving ethical behavior across your organization. When done right, your code should inspire, guide, and enable employees to make ethical decisions and do the right thing—every day, everywhere they work.





Conclusion

Ethics and compliance officers and risk-management professionals recognize the importance of an effective code of conduct. They are constantly looking for ways to improve their codes of conduct and make them more relevant and useful. We hope this report will provide the E&C community with further ideas, benchmarks, and insights to help them make their codes truly excellent.

How codes impact program effectiveness

Every year, LRN surveys ethics, compliance, and legal executives and professionals at organizations around the world to determine the critical differentiators that make some ethics and compliance (E&C) programs more effective than others. The most crucial factor we have identified in our research and work is that a values-based approach to governance builds and sustains ethical culture—the essential element of more effective E&C programs.

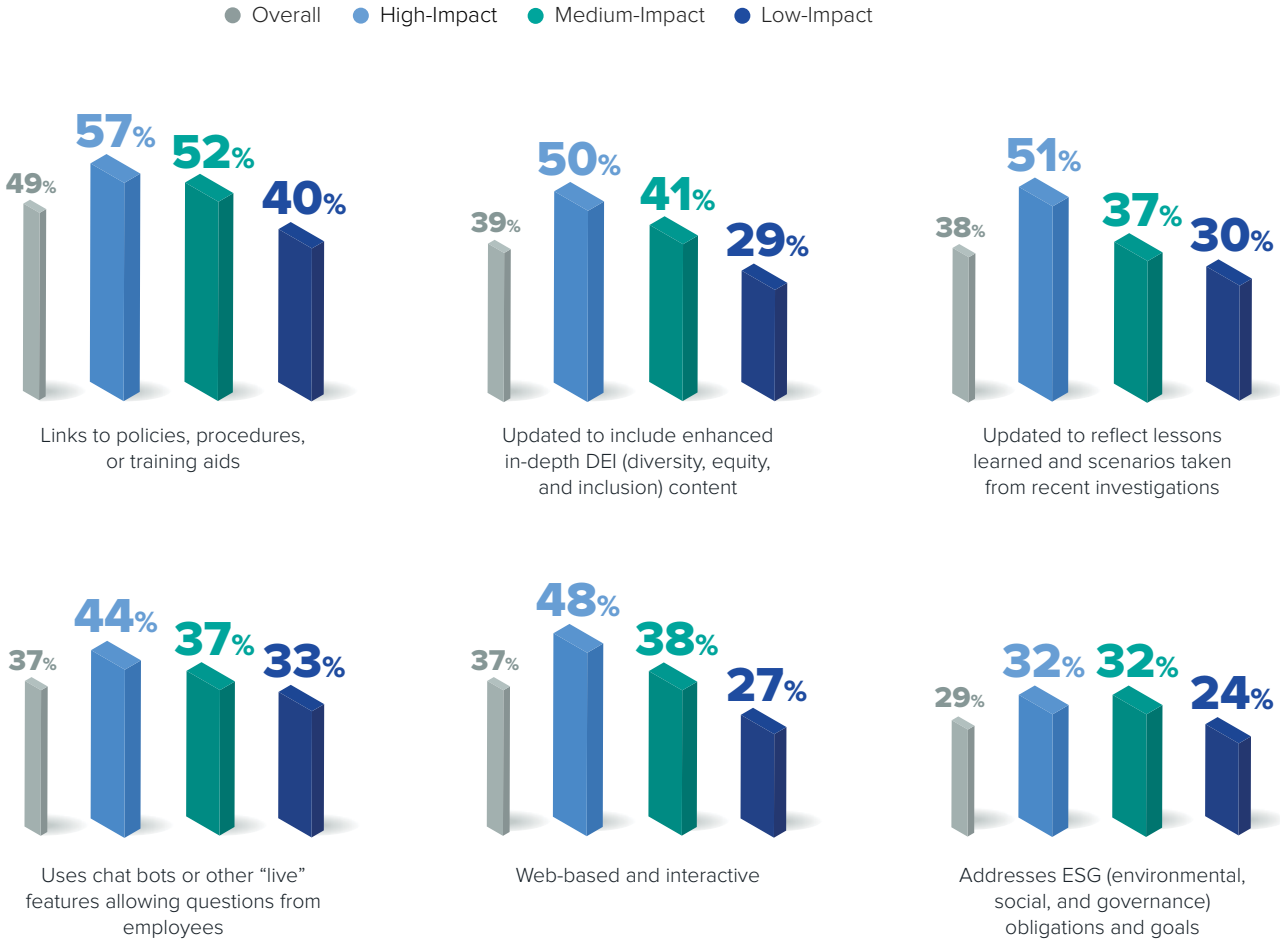
Our [2023 Ethics & Compliance Program Effectiveness Report](#), based on the insight of nearly 1,860 practitioners, highlights the greater emphasis high-impact programs place on code accessibility and utility; for example, reducing “friction” by linking out to policies and procedures so employees who

want to learn more can easily do so, and leveraging chatbots to enable employees to ask questions as they go. These codes also reflect their companies’ commitments to creating more diverse, equitable, and inclusive work environments, helping to send a strong signal about what the company stands for.

A more recent trend observed in codes is the inclusion of content related to ESG (environmental, social, governance) goals. Traditionally a reporting exercise for investors, more and more companies are “operationalizing” ESG, connecting it to why they do what they do, and using ESG as a tool to attract and retain talent. As a result, we expect to see the percentage of codes that include ESG to rise in the coming years.



Does your organization's code of conduct include any of the following features?
(Select all that apply)





Methodology

LRN assessed the 195 codes of conduct included in this report using our comprehensive, proprietary Code of Conduct Assessment Tool, created in 2015. The tool is based on our extensive experience working with our clients to improve their codes, evaluating code of conduct effectiveness, and researching code of conduct best practices. It is structured around the 8 dimensions of code effectiveness shown on [page 6](#) of this report. We ask a total of 79 questions, with several questions related to each dimension. For some questions, the answer is either “yes” or “no.” For others, we rate the specific criterion on a scale of 1 to 5. A score of 1 is the least effective score, while 5 is the most effective. Based on the answers to the 79 questions, we are able to develop numerical scores, from 1 to 5, for each dimension and for the code of conduct overall. These scores form the basis for our analysis.

The codes of conduct of the top companies listed on the CAC, DAX, FTSE, and S&P were evaluated in 2022. Those from the NIK and SGX were assessed in 2023. [Page 35](#) provides a breakdown of the number of codes assessed for each index.



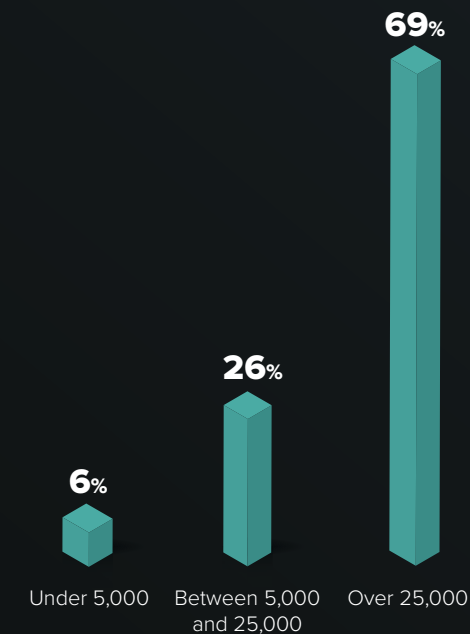
Should we reinvent or revitalize our code?

Seven questions to consider

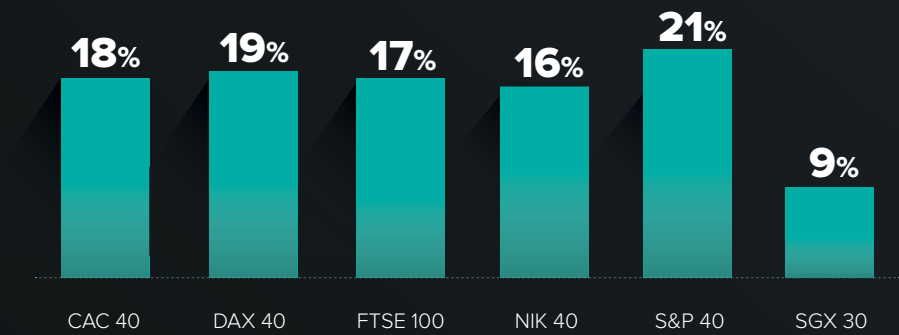
- 1 Is our business going through a major event, such as a merger, acquisition, spin-off, IPO, or leadership change?
- 2 Has it been more than five years since we updated our code of conduct?
- 3 Does our code look, feel, and sound like our organization?
- 4 Is our code easy to read and understand?
- 5 Does it help employees make decisions?
- 6 Is it easy to access—particularly when on the go—and for all various employees?
- 7 Do we have a way to measure user engagement?

Company demographics of this report

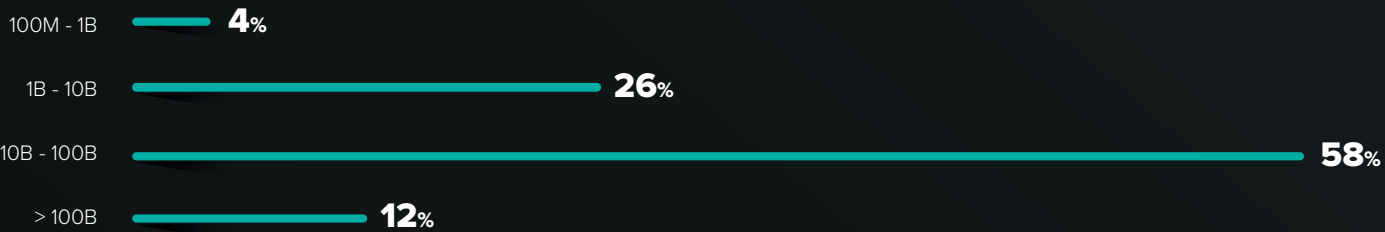
Company size (EE)



Primary listing



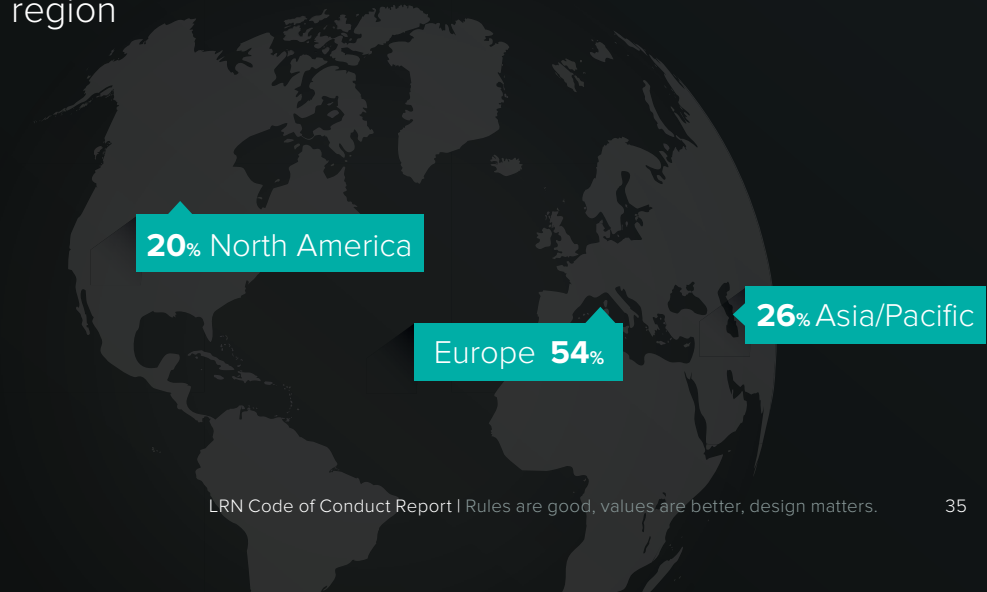
Annual revenue (USD)



HQ country

Australia: 1%
China: 1%
Czech Republic: 1%
France: 17%
Germany: 18%
Ireland: 3%
Japan: 16%
Luxembourg: 1%
Philippines: 1%
Singapore: 6%
Switzerland: 2%
Thailand: 1%
UK: 14%
US: 20%

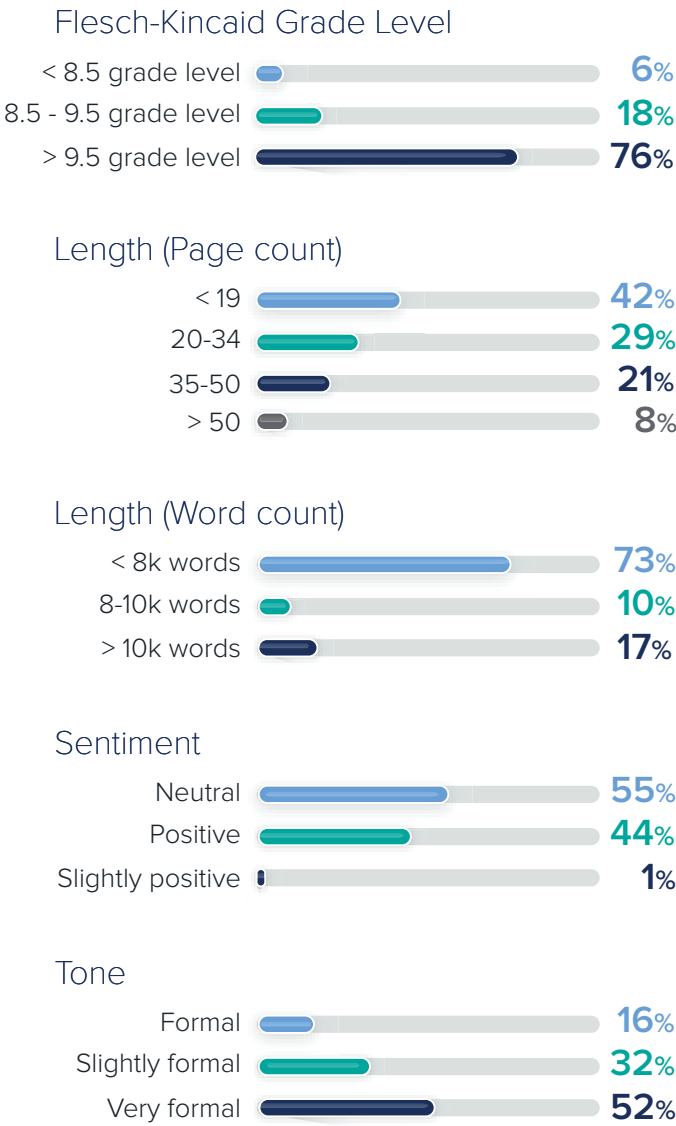
HQ region



Code readability statistics analyzed

Readability is one of the keys to an excellent and effective code of conduct. The code should be written in plain language that is easily understood by all employees. This not only boosts comprehension but also helps when your code must be translated into multiple languages. Keep the language simple. Use shorter sentences. Avoid jargon and difficult words that require a definition.

A common measure of readability is the Flesch-Kincaid Grade Level, which approximates the education level required to understand a text. When we help companies reinvent their codes of conduct, we aim for a reading grade level between 8.5 and 9.5. However, over 70% of the codes assessed for this report are at a 9.5 or above reading level. This raises concerns that some segments of employee populations may not fully understand the expectations and guidelines being communicated to them via the code.



The most effective codes

Of all the codes of conduct evaluated as part of our study, the best ones came from [3M](#), [General Motors](#), and [Imperial Brands](#). The first thing that makes these codes stand out is their visual appeal. They reflect each company's unique business, brand, heritage, and culture. Right up front, they talk about how the code helps the organization fulfill its purpose in line with its core values. Finally, these codes are readable and usable. They're very easy to navigate and the information is presented in a way that's understandable and digestible for the reader.





This report was authored by the LRN Advisory Services team. The members of LRN Advisory bring decades of subject matter expertise in ethics and compliance to LRN clients globally. If you are interested in this caliber of work applied to your own organization's needs, visit lrn.com/advisory for details.

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