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Codes of conduct: More than just another policy

by Rebecca Walker

Rebecca Walker (rwalker@kaplanwalker.com, [linkedin.com/in/rebecca-walker-605a944/](https://www.linkedin.com/in/rebecca-walker-605a944/)) is a Partner in the Santa Monica, California, USA, office of the law firm of Kaplan & Walker LLP.

Compliance practitioners have long described codes of conduct in lofty terms. A quick Google search yielded descriptions of codes as the cornerstone of a company's ethical culture, the embodiment of a company's values, and even the heart and soul of an organization. As someone who has written more than her fair share of codes of conduct over the past 25 years, I would love it if all those things were true. However, I'm not quite sure we're there yet. Too often, codes of conduct are still perceived as merely "required" corporate policies, drafted by legal or compliance professionals, and only dusted off (or clicked on!) during compliance training or disciplinary action. The vision of a "well-worn code" on every employee's desk was perhaps always a pipe dream.

The good news

Nonetheless, it's not all doom and gloom. Codes have improved significantly over the past 25 years, and they do have the potential to represent a compliance program and a company's culture of ethics and compliance. Indeed, codes of conduct are, in many ways, a more general symbol of the compliance field. They (along with hotlines) are the subject of regulation (in Sarbanes–Oxley and New York Stock Exchange rules, for example) when other aspects of a compliance program are not. Many organizations hold them out as being emblematic of their programs. They are typically publicly available. And they are—in many organizations—the topic of annual compliance training. Thus, crafting, reviewing, and implementing codes warrant thoughtful attention.

LRN's *Code of Conduct Report*

In June 2023, LRN released its 2023 *Code of Conduct Report*, which contains a helpful overview of current code practices, including those components of codes that are ripe for improvement.^[1] For the report, LRN "assessed nearly 200 codes from some of the top companies headquartered in Asia, Europe, and the United States. Specifically, [LRN] 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." Based on an analysis of nearly 200 codes, the report is a valuable resource for anyone considering a code review. What follows is an overview of some of the findings from LRN's report, tied into a discussion of how we might make codes a bit more worthy of the lofty terms we have long used to describe them in the compliance community.

The LRN report utilized eight "dimensions of code effectiveness" to analyze codes. These include:

1. Tone from the top
2. Purpose and values orientation
3. Applicability and administration

4. Speaking up
5. Risk topics
6. Knowledge reinforcement
7. Usability
8. Look and feel

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