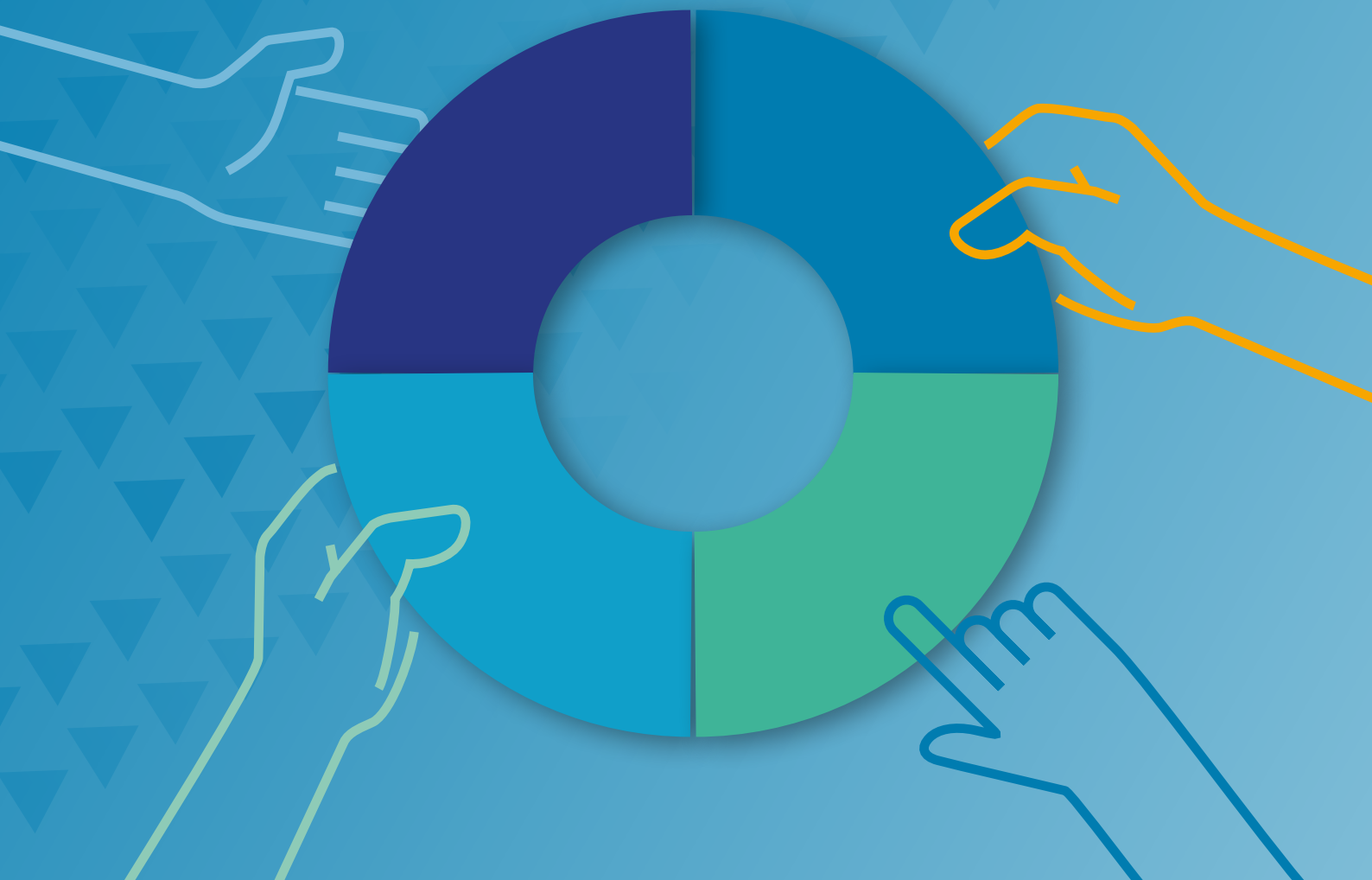


CORPORATE INTEGRITY

Catalogue of practices



On behalf of



Federal Ministry
for Economic Cooperation
and Development

Implemented by



Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

CORPORATE INTEGRITY

Catalogue of practices

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Foreword

The anchoring of integrity in all facets of entrepreneurial activity is not just one among many aspirations, but increasingly a fundamental prerequisite for sustainable economic success.

Many factors are responsible for this. Corporate integrity is playing an increasingly important role in the public debate in conjunction with other key societal goals – ranging from climate and environmental protection to the protection of human rights and the promotion of justice and equity. Ethical considerations are being increasingly considered when making purchasing decisions and choosing business partners. Workers, especially the ones with an in-demand skillsets, do not just want a job, but are increasingly looking for a “purpose”. Often, companies can only meet more demanding, sanction-based regulations at national and international level if they have established a culture of integrity in addition to the control mechanisms required for compliance.

Despite the increasing relevance of the issue and the resulting pressure to act, many companies are often unsure how to effectively incorporate integrity into their corporate culture and practices.

A basic challenge for many companies (especially SMEs) is to interpret integrity in such a way that it can be implemented effectively.

With this publication, the Alliance for Integrity and UN Global Compact Network Germany intend to support companies in the anchoring of integrity by providing concrete recommendations for action, diverse best practice examples and tried and tested tools.

Special thanks go to the members of our joint Integrity Culture Working Group. Their expertise and wealth of experience form the basis for this publication. We hope that as many readers as possible will be inspired by the suggestions to help boost integrity management in companies.

Marcel Engel
Head of Office
UN Global Compact Network Germany

Susanne Friedrich
Head of
Alliance for Integrity

1

Introduction

Ideas about the structure and in particular the scope of corporate responsibility have evolved greatly in recent years. Today, more than ever, corporate social and environmental responsibility is in demand. It is no longer only talked about within the framework of expert discussions in academia and practice, but it is also the subject of popular discourse and demanded explicitly by customers, business partners and suppliers as well as politicians. A clear distinction between legal requirements and voluntary acceptance of responsibility is now difficult to make. In fact, avoiding liability, protecting the reputation, and building and securing trusting, sustainable business relationships through responsible corporate governance go hand in hand.

This handout is designed to provide companies with guidance on how integrity management can contribute to fulfilling corporate responsibility and provide concrete practical recommendations for doing so. Integrity management is not a substitute for a functioning and suitable compliance management system. Rather, integrity and compliance are two complementary approaches to achieving corporate responsibility. As a part of this, compliance forms the backbone of the integrated management of corporate responsibility. Integrity forms its heart.¹

In addition to providing an introduction to corporate integrity management, this publication contains a catalogue of practices containing valuable suggestions for the concrete implementation and design of integrity in companies – by companies for companies.

1 cf. Butscher and Grüninger 2021, p. 248 and Moosmayer 2021, p. 32.

2 Integrity management: Concept – success factors – opportunities

2.1

What is integrity?

"At Mercedes-Benz, integrity means doing the right thing. That means: We follow internal and external rules, act in accordance with our corporate principles and, in doing so, also listen to our inner compass. This forms the basis of our actions. That is why our code of conduct has the claim "Doing the right thing" as its heading."

Beate Wesoly, Head of Integrity Program,
Mercedes-Benz Group AG

Integrity describes the consistency of actions, values, principles and the methods and measures applied, along with the expectations and results. In ethics, integrity is perceived as a quality, which is reflected in an intuitive understanding of honesty and sincerity with regard to the motives for one's own actions.²

"At METRO, integrity means to act simply right."

METRO AG

Companies usually use the term to describe responsible and compliant corporate behaviour and its orientation towards generally accepted ethical standards and principles. More precisely, a company commits itself to integrity in the sense of a self-commitment to align its business activities, decisions and corporate actions in such a way that basic moral values are observed.³

On the one hand, the moral obligations of such a minimum ethical standard result from applicable law, i.e. integrity explicitly includes compliance with laws and regulations (Legal Compliance). On the other hand, a minimum ethical standard also especially includes universally recognised basic values and standards that go beyond national and international legislation, such as

- The Universal Declaration of Human Rights,
- The principles of the UN Global Compact,
- The ILO Core Labour Standards,
- The Guidance on Social Responsibility (ISO 26000),
- The EU Charter of Fundamental Rights,
- The UN Guiding Principles on Business and Human Rights,
- The OECD Guidelines for Multinational Enterprises, and many more.

Sustainable and effective corporate compliance without an ethical corporate culture?

"Sustainable and effective corporate compliance is not feasible without an ethical corporate culture. Integrity management aims to shape this culture. The development of the ability of a corporation and its executives to recognize and address conflicts of values, ethical dilemmas and compliance-related conflicts, as well as to remain capable of making decisions and taking action, form the core of this organizational task. The much-cited "basic values of a company" must therefore be less proclaimed and declaimed, but instead have to be much more exemplified in everyday business by upper and middle management. Compliance and integrity form a unity and, as complementary approaches, are currently developing towards a comprehensive approach that can be described as "Management of Corporate Responsibility". Compliance is the backbone of this corporate responsibility. Integrity is its heart."

Prof Dr Stephan Grüninger, HTWG Konstanz –
University of Applied Sciences

² cf. DICO 2021, p. 7 and in detail Schöttl 2018, p. 44f.

³ See Grüninger and Kissmehl 2022 in detail.

This means that integrity goes beyond pure legal compliance and adherence to relevant standards. Integral corporate governance means developing and defining company-specific values and principles and then consistently aligning decisions and actions with them. These values and principles form part of a company's identity.

"In our view, acting with integrity is value-based action. It therefore goes beyond simply following rules."

Dr André Uhlmann, Chief Compliance Officer,
TK Elevator GmbH

Moral steadfastness in the face of value conflicts and the ability to deal with resistance in so-called situations of dilemma are decisive for the credibility of corporate governance with integrity and for the development of a reputation for integrity. Both can only succeed if companies actively deal with their value-related conflicts and solve them accordingly. Acting with integrity means striving for an outcome in complex decision-making situations that enables the best possible (and not optimal) achievement of the underlying (moral) corporate values and hence the ethically preferable solutions.⁴

It is advisable for companies to define only those values and norms in a binding manner that can and should guide the actions of the company and its employees in concrete situations and where the company is entitled to demand compliance. In order to be seen as having integrity, a company must always allow itself to be measured against the moral values it has set for itself.⁵ Integrity in corporate governance is therefore reflected in the orientation and alignment of decisions towards reflected values and principles, which are then consistently reflected in actions.⁶

2.2

Integrity and compliance management – Two sides of the same coin

In practice, compliance management systems have been established in recent years and decades with the aim of ensuring compliance with internal and external rules and avoiding misconduct as best as possible. Appropriate organisational and procedural measures, such as clear catalogues of rules, guidelines and controls, are designed to prevent systematic misconduct and to reduce potential liability risks for the organisation or individual members in the event that misconduct is uncovered.⁷

The term **compliance** means to comply with norms and rules. It comes from the stem "to comply [with]", which means "to follow", "to direct oneself towards something". From a corporate perspective, the term corporate compliance generally refers to adherence to legal and regulatory requirements known as "soft law" (non-legally binding voluntary commitments and guidelines) as well as internal rules and standards of conduct. In most cases, the internal rules and standards of conduct serve primarily to concretise external standards in practice and hence implement them.⁸ They provide the framework for action desired by the company in potentially critical situations in day-to-day business.

The values form the foundation upon which actions are built

"TÜV Rheinland derives the company's guidelines and rules from its own values. Because by defining what we stand for, we also define the demands we place on our actions. The values therefore form the foundation upon which our actions are built. Integrity is one of these firm principles and therefore also part of our compliance management system."

Katharina Riese, Senior Manager CSR & Sustainability,
TÜV Rheinland AG

⁴ cf. ZfW 2016, p. 7.

⁵ cf. Pikó 2021, p. and Grüninger and Wanzek 2020, p. 933.

⁶ cf. DICO 2021, p. 5 and in detail Schöttl 2018.

⁷ cf. ZfW 2016, p. 10.

⁸ cf. DICO 2021, p. 8 and Grüninger 2020, p. 41.

Tone from the Top

“In addition to the internal rules and standards of conduct, compliance management naturally has a tone set from the top as part of the compliance culture. At DB S&S AG, the tone from the top, which is communicated throughout the company, includes the management’s commitment to legally compliant behaviour.”

Andrea von Finckh, Compliance Officer,
DB Station & Service AG

An open corporate culture is key to our success

„We do not only adhere to laws and ethical standards but also act according to our own beliefs in an ethical way of working in our everyday business life. This is deeply rooted in our corporate values.

An open corporate culture is key to our success. This includes inviting everyone to share their own ideas, but also providing the basis to talk about mistakes. Only by openly addressing risks can we counteract them early on and learn from them.”

Christian Levin, CEO, TRATON SE

In contrast to compliance management, integrity management goes further and based on a commitment to uphold basic moral values, aims to align decisions and actions with the company’s own values and principles.⁹ Integrity management is primarily intrinsically motivated. It is not external pressure that guides action; rather, decisions to act are based on company-specific values and principles which are designed by conviction and discernment. Therefore, anchoring integrity in a company also has a particularly preventive effect that goes beyond the avoidance of individual cases.

This obviously goes hand in hand with compliance with laws and regulations, i.e. compliance is an absolute prerequisite for credible integrity management. However, while compliance is primarily enforced through comprehensive rules, guidelines and controls, integrity management relies on the personal responsibility of the actors involved, which is largely shaped by the corporate and leadership culture.¹⁰ Hence, compliance and integrity management primary differ in the means of implementation.

“In the best case and as a component of a sustainable corporate culture, integrity is the commitment of each individual to behave impeccably and the values of the company as part of the lived corporate identity.”

Janine Stliwa, Compliance Manager,
Deutsche Bahn Connect GmbH

The figure below shows how integrity and compliance management complement each other:

	COMPLIANCE-MANAGEMENT	INTEGRITY MANAGEMENT
Motivation/ Driver	Mainly external pressure (national and international laws and regulations, standards, etc.)	Predominantly intrinsic motivation (out of conviction and discernment)
Aim	Prevention of illegal behaviour	Fostering of moral conduct
Approach	Clear rules, guidelines, controls	Values, leadership and corporate culture
Topics	Avoidance of violations of the law (legal compliance)	Improving the effectiveness of legal compliance and integrating societal, social and environmental issues for managing corporate responsibility

Fig. 1: Comparison of compliance and integrity management (cf. ZfW 2016, p.9.)

9 cf. DICO 2021, p.9.

10 cf. DICO 2021, p.5 and ZfW 2016.

The challenge, and simultaneously the objective, of effective integrity management is to reconcile successful and efficient economic action with ethical principles. Therefore, it cannot and must not be a matter of refraining from business activities from the outset that could possibly involve conflicts of values or legal risks. Rather, dealing with value conflicts is a fundamental component of a functioning integrity management system. To achieve that the workforce and especially the management must be empowered to recognise and evaluate moral issues and dilemmas in order to ultimately come to a decision with integrity.

“Culture vs. Compliance. You can’t have one without the other.”

Maike Bauer, Head of Compliance, TRATON SE

Compliance and integrity are therefore mutually dependent. Whereas a pure approach to compliance runs the risk of not being credible and hence ineffective, the integrity approach without compliance might fail due to a lack of operationalisation and monitoring. As complementary approaches, compliance and integrity together count towards the integrated management of corporate responsibility.¹¹

2.3

Integrity management as the management of corporate responsibility

The reputation that a company enjoys among its stakeholders is known to be an essential factor for sustainably successful entrepreneurial operations. Companies depend on being perceived as responsible and credible because that forms the basis for trust. Only the trust that a company will continue to adhere to its commitments reliably and consistently and respect the values it has communicated, forms the basis for enabling cooperation, both within an organisation and for new forms of cross-company cooperation. Trust motivates and binds but, above all, building it requires investments.¹²

“Integrity management places responsibility on both the organisation and, to the same extent, the person – and thus each individual employee.”

Beate Wesoly, Head of Integrity Program,
Mercedes-Benz Group AG

Integrity management has the potential to play a central role in the creation of trust, as it is essentially about committing to ethically based values and then consistently implementing them in one’s own actions, i.e. in concrete terms, ensuring that the conduct of all employees is aligned with the previously defined corporate values. Because that is what creates credibility. The values to which an organisation subscribes not only create identity, but also shape the patterns of perception of its members and guide their actions. It is all the more important that the conduct of employees is guided not only by applicable law, but also by the values and principles that are central to the company. This not only reduces uncertainties regarding information and expectations, but also functions as a tool for responsible decision-making: Enterprises are empowered to make decisions on the basis of their own identity, based on well-founded reasons that are intersubjectively comprehensible to all stakeholders.¹³

¹¹ cf. Butscher and Grüninger 2021, p. 248.

¹² cf. Grüninger and Kissmehl 2021, p. 209. See Grüninger 2001 for a detailed discussion.

¹³ ZfW 2016, p. 19.

Serious, consistent and tangible integrity management:

- ➔ Focuses on the human factor: employees and managers should be empowered to systematically align their decisions and actions with the company's own values, especially in difficult situations.
- ➔ Promotes the trustworthiness of the company as a business partner, thereby increasing its attractiveness for employees, customers and cooperation partners and boosting the company's reputation.
- ➔ Promotes transparent and comprehensible processes, structures and measures and thereby increases reliability and efficiency in intra-organisational and cross-company cooperation.
- ➔ Proactively promotes value-based actions in everyday life, thereby having a preventive effect on breaches of integrity and so minimising possible economic, legal and social consequences and risks.
- ➔ Increases the acceptance by stakeholders, thereby ensuring the social legitimacy of the business activity ("licence to operate and grow") and hence forming the basis for sustainable economic success.

Why is integrity management a worthwhile investment? – A voice from the world of practice

"Integrity management means actively addressing the fundamental values held by a company as a whole. This creates a corporate culture that can guide individual employees to act in the right way, even beyond the specifically regulated rules of conduct.

The manifold problems that employees face can often not be foreseen. Consequently, employees frequently do not receive adequate support or guidance on how to deal with these types of situations based purely on concrete guidelines and rules.

In addition, if based on internalised values, "the right conduct" is perceived less as an external requirement and can therefore also have an effect where purely external requirements would not be as efficient.

Finally, company-internal exchange and dialogue is promoted by the aspiration towards value-based action. Values are often not understood or defined conclusively and as a standard, but have to be specified and discovered in mutual exchange. Values defined in this way create identity and contribute to the definition of corporate self-image."

Dr André Uhlmann, Chief Compliance Officer, TK Elevator GmbH

3 Catalogue of practices: Key fields of action in integrity management

Successful integrity management does not comprise a once-off effort. Rather, it is a fundamental strategic commitment which determines that the decisions and actions of the company are aligned with the values and principles that it has set for itself. The implementation of these requires a constant effort of all parties involved at the company. As described above, integrity management is no substitute for compliance management. Integrity requires compliance and vice versa: Integrity without compliance, i.e. the sole focus on corporate values without paying attention to laws and regulations, is impossible to implement and monitor well in practice. Integrity management, in turn, helps to make compliance efforts effective and credible.¹⁴ Together, compliance and integrity management contribute to responsible corporate governance, which forms the basis for the stakeholder trust that is so important for the company's existence.

Concrete structural recommendations for the implementation of integrity management in the company as well as possible measures and tools that have proven particularly effective in practice are given below. For better structuring, the measures have been summarised in four central fields of action:

- **Corporate values and corporate culture**
- **Leadership and leadership culture**
- **Governance and organisation**
- **Communication and training**

These thematic fields do not replace a comprehensive compliance management system including compliance risk monitoring, whistle-blower system, compliance programme, etc., nor do they claim to be comprehensive. Rather, they are supposed to provide access to tried-and-tested measures for promoting integrity in companies. The measures in the central fields of action therefore represent a selection of essential measures and levers for promoting integrity in companies and do not have to be replicated in the same way in a company's integrity management. Similarly, there may be overlaps with existing compliance measures, highlighting the essential prerequisite of compliance for credible integrity management.

¹⁴ cf. ZfW 2016, p. 11.

3.1

Corporate values and corporate culture

MEASURE & SHORT DESCRIPTION

Anchoring of compliance and integrity in the Code of Conduct

The central questions here concern:

- What sets us apart as a company?
- What do we stand for?
- What are our most authentic values?

The concern here is to develop a **code of conduct** that addresses the specific corporate challenges, risks and thus compliance issues, is designed to be principle-based and reader-friendly, and provides company-specific, practical and, above all, comprehensible decision-making aids for everyday use.

BEST PRACTICES

- ▶ Participatory processes in designing the code of conduct to include different perspectives and create acceptance at all levels: Employee surveys, workshops with focus groups in an open and interactive format, options for commenting and moderated discussion forums in the review process.
- ▶ To make the concrete significance of corporate values for entrepreneurial action, the **WHY**, explainable through company-specific content (case studies with a tangible company reference).
- ▶ Authentic top management commitment and communication of this: **Why** is a code of conduct important for me personally? How are **strategy and values** related at our company? What will **I personally** contribute to the implementation?
- ▶ Regularly review and, if necessary, adapt corporate values, for example if they can no longer be justified in the face of changed circumstances and/or should be extended due to new business areas/technology.

▶ **Example process for a participatory Code of Conduct Review**

- 1: **Analysis of internal company standards in small feedback rounds.** Identification of areas where action is needed
- 2: **First draft** by the central compliance organisations
- 3: **Global feedback- /workshop phase**
 - Targeted collection of feedback from engaged employees who perform multiplier roles
 - Workshops with previously identified relevant focus groups (up to max. 20 persons)
 - Structured feedback from the management and managers
- 4: **Evaluation and conception of the CoC**

Structure: Value/attitude on certain topics

→ Description of the concrete significance in day-to-day business dealings (practical guidance)

→ Supplemented by concrete examples and company-specific case studies
- 5: **Translation and design**
- 6: **Roll-out accompanied by communication campaign**, e.g. in the form of a company-wide CoC day

Source: TK Elevator GmbH

MEASURABILITY / KPI

CoC benchmarking (by size, industry, etc.) using the following possible categories¹⁵:

- Authenticity (company specific and individual) in language, tone and spirit
- Convincing personal foreword from top management (honest, understandable, individual, self-inclusive)
- Responsibilities and scope clearly defined
- Easily readable, comprehensible and addressed to the workforce (terms that require explanation are avoided or defined where possible)
- Facts and behavioural expectations explained unequivocally, clearly, unambiguously and with concrete company-specific examples
- Translations into the requisite national languages available
- Presentation of the compliance organisation and in-house CMS
- Contact details, useful FAQs and specific contact persons for queries are listed, as well as the reachability and visibility of the Ethics Hotline



"Integrity management is strongly focused on the elements of culture and communication and is essentially shaped by values. This is primarily about the exemplification of corporate values by the management and managers and the transfer of these values to the corporate units."

David Wilbers, Senior Compliance Counsel, Hochtief GmbH

MEASURE & SHORT DESCRIPTION

Analysis of corporate culture in relation to integrity (baselining)

Aim: To obtain a picture of the role and anchoring of integrity that is as **undistorted as possible**, in order to be able to define measures appropriate to the situation.

Potential challenges that need to be addressed include:

- Fear of consequences
- Social desirability
- Self-serving bias
- Hubris
- Lack of acceptance and, as a result, a low response rate

BEST PRACTICES

Best practices for analysing organisational culture related to integrity through employee surveys:

- ▶ Guarantee of the **strictest confidentiality** and **easy access to participation** e.g. employees in production without a personalised email address.
- ▶ **Different and carefully selected questioning techniques** (incl. opposing control questions) for a picture that is as differentiated and true as possible and to avoid strategic response behaviour and possible distortion of the results.

- ▶ **Transparency in the survey process** to raise the level of acceptance and increase the response rate:
 - Why is the survey being conducted in the first place?
 - Will the results be published?
 - Where will the results be published?
 - Do the results lead to concrete measures and consequences?
- ▶ **Evaluation of the survey results** and derivation of fields of action, also taking into account the analysis and correlation of other relevant key figures from the CMS.

MEASURABILITY / KPI

Corporate culture assessment

The **Ethical Baseline Survey 2021 from Novartis** provides an overview of possible topics within the framework of an anonymous employee survey.¹⁶ A survey containing around 50 questions in three categories was conceived here:

Ethical climate

Perception of the immediate organisational environment in which employees find themselves, with a focus on

- Organisational justice
- Fairness & trust
- Control versus autonomy
- Psychological safety
- Loyalty

And whether they feel empowered and supported to do the right thing.

Ethical perception

A measure of how much employees actually pay attention to the moral and ethical implications of their decisions and actions (moral mindfulness, moral detachment), such in relation to the following questions:

- What kind of misconduct have you already discerned in the organisation?
- How did you conduct yourself in relation?

Ethical decision-making

Perceptions of the way employees think about ethical issues and issues, with a focus on

- Clarity of expectations
- Awareness of prejudice
- Conflicting aims

16 cf. Jäkel 2022, p. 60f.

3.2

Leadership and leadership culture

MEASURE & SHORT DESCRIPTION	
Managers as multipliers <p>Integrity is demonstrated in the actions and decisions undertaken by organisational members. Managers have a role model role to play here. By setting an example of integrity and aligning their actions and decisions with the company's values,</p>	
<p>managers convey the importance of the company's values and in doing so have a significant impact on the conduct of employees and a corporate culture of integrity.</p>	
BEST PRACTICES	
<ul style="list-style-type: none"> ▶ Communication of a clear understanding of leadership by top management: Compliance and integrity are clearly identified as managerial responsibilities! ▶ Awareness raising among managers concerning integrity and ethical decisions; managers recognise situations of dilemma and have strategies for dealing with and resolving ethical dilemmas (creation of awareness) 	<ul style="list-style-type: none"> ▶ Integrity is a component of the management development programme and management training (see measure: "Management training and development") ▶ Solicitation of a statement of integrity from managers on a regular basis
MEASURABILITY / KPI	
<ul style="list-style-type: none"> ▶ Employee survey relating to the integrity of managers/ Integrity Barometer, possibly also incorporated into an existing employee survey ▶ Number of references to managerial conduct that is not exemplary 	<ul style="list-style-type: none"> ▶ Return rate for the statement of integrity from the managers



MEASURE & SHORT DESCRIPTION

Management training and development

Within the framework of training courses, managers acquire the requisite competences and skills to enable them to fulfil their role as role models and their responsibility for corporate governance with integrity.

BEST PRACTICES

- ▶ Incorporation of integrity and compliance issues into existing management training and development programmes (MTD)
 - Corporate values provide orientation and guidance when making decisions. Integrity is conveyed and processed as an attitude topic
 - Workshops on integrity as part of the MTD (focus on value-oriented corporate culture, "attitude" to integrity)
 - Involvement of the management/CEO in management training/MTD to promote the tone from the top
- Implementation:
 - Pre-work: Self-study and reflection based on case studies about pertinent compliance scandals such as Wirecard, Enron, HSBC. Analysis of possible causes of the breach with reference to leadership culture.
 - Preparation of personal messages from managers about their ideas and expectations concerning integrity (e.g. video message, photo challenge)
 - Discussion and analysis of the case studies in groups, transfer to own company/area of responsibility
 - Practice possible solutions in case studies, discussions on ethical dilemma scenarios, reflection exercises, etc.
- Follow-up to training sessions to consolidate content and raise awareness of integrity
- ▶ Compliance and integrity training for the management/board of directors/top management
- ▶ Integrity as a criterion for management development: Managers must demonstrate in case studies that they have internalised acting with integrity and apply it in stressful situations
- ▶ Use of pre-employment checks for managers/prior to a management role being taken on to check the applicant's understanding of integrity before taking on the job
 - Screening of potential managers against sanctions lists
 - Obtaining a certificate of good conduct from the police
 - Review of possible shareholdings in companies
 - Review of excerpts from the personnel file (in the event of internal role changes)

MEASURABILITY / KPI

- ▶ Number of management training courses/managers who have received training on the subject of integrity

MEASURE & SHORT DESCRIPTION

Integrity & compliance in the appraisal of managers

For integrity and compliance to be truly lived, the issues need to be reflected in the incentive systems. This ensures that the self-imposed values and principles are considered when making business decisions and setting objectives.

BEST PRACTICES

- ▶ Development of a model that defines the standards and expectations for managers, specifies the company's internal understanding of management and includes concrete behavioural anchors with regard to integrity and compliance (e.g. manager also tolerates a critical attitude, points out difficulties)
- ▶ Performance review/discussions about the achievement of targets include specific questions regarding integrity & compliance (e.g. asking whether integrity/compliance plays a role in discussions with employees and in employee promotions)
- ▶ Results from the integrity survey (which may be carried out as part of the employee survey) are included in the management evaluation

MEASURABILITY / KPI

- ▶ Employee survey with relation to management integrity/ Integrity Barometer
- ▶ 360° feedback for managers
- ▶ Creation of a KPI from the questions in the Integrity Survey/ Employee Survey. For reasons of complexity, it may be advisable to create the KPI per business unit/ department and then apply it to all managers in that unit (not per manager)



MEASURE & SHORT DESCRIPTION

Toolkit for managers

Managers need support to implement integrity. The Integrity management department provides appropriate materials and information for managers to access in order to be able to fulfil their responsibilities.

BEST PRACTICES

► Best Practice: Set-up of a self-service function on the intranet. Options for materials and information to be provided (selection):

- Presentations on the importance and relevance of integrity and business principles in general
- Presentations on specific topics
- Moderation guidelines for incorporating integrity issues into team meetings or similar.
- Case studies (from own company, anonymised)
- Collection of quotations (What does integrity mean to us? How do we live and breath integrity in the company?)

Source: Mercedes-Benz Group AG

FAQ/Answers (separate white box) to individual questions on specific issues (e.g. Christmas: How do I conduct myself properly when I receive a gift?)

Note: If necessary, attention should be paid to ensuring availability in several languages to achieve an appropriate reach.

Such a self-service function is not limited to managers. At Mercedes-Benz Group AG, all employees have access to the portal and can obtain comprehensive information at any time on the topics and issues currently relevant to their work.

MEASURABILITY / KPI

- Evaluation of the number of users/clicks on the intranet
- Evaluation of the data on user behaviour on the intranet

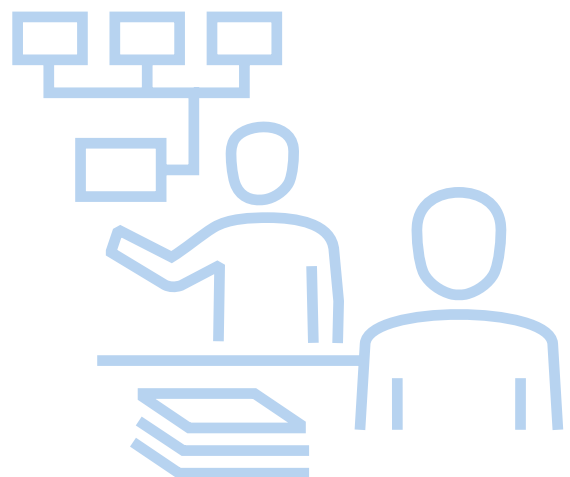
"Integrity is reflected through the cultural behaviour of a group. Given that, tools that promote shared values and integrity as an integral part of the corporate culture usually prove their worth. Integrity in Leadership and sharing of company's values by the management, especially as role model for the rest of the workforce, is also crucial."

Andrea Rondot, Senior Investigator in Internal Audit Investigations, LENOVO

3.3

Governance and organisation

MEASURE & SHORT DESCRIPTION	
Integrity & compliance are central to corporate goals and business strategy	
<p>Credible integrity management means that the values and principles that guide action are firmly anchored in the corporate goals and business strategy. This is the only way</p>	<p>to ensure that strategy and the achievement of goals are in line with corporate values.</p>
BEST PRACTICES	
<ul style="list-style-type: none"> ▶ Integrity and compliance with corporate values are taken into account when defining corporate priorities and strategies ▶ The fulfilment of values as a decision-making basis for board decisions – no decision is made at board level that does not align with the company's values ▶ The management and managers help their employees to translate these corporate values into everyday business practice and show how they come into play in their daily work (e.g., the company's values are applied in the business): inclusion of integrity risks when selecting business partners) 	<ul style="list-style-type: none"> ▶ Integrity management – like compliance management – has to be integrated into existing systems and processes in the best possible way
MEASURABILITY / KPI	
<ul style="list-style-type: none"> ▶ Integrity/corporate values as elements of the incentive system 	



MEASURE & SHORT DESCRIPTION

Responsibility and organisational anchoring of integrity

Corporate integrity is not the responsibility of the Integrity department. Rather, all managers and each individual employee have a responsibility to consistently align their own decisions and actions with the company's corporate values and principles.

BEST PRACTICES

- ▶ A dedicated integrity department is not necessarily a must, but a function that is suitable and adequately resourced for the company's own operations, with the necessary authority, status and resources to implement and follow up on the required integrity and compliance measures and processes, as well as to advise the management and senior management/ board on the topic of integrity management
- ▶ The integrity function is involved in important decisions and is a member of the central decision-making bodies and strategy teams
- ▶ Establishment of cross-functional committees (e.g. "Integrity Board") for coordinating and steering all the company's activities in relation to integrity
- ▶ Reporting line for this function that is independent of the executive board, e.g. to the integrity board, audit board
- ▶ Establishment of a panel of external experts who can provide valuable impetus for the further development of integrity management and an external perspective
- ▶ Make the concrete significance of integrity management for entrepreneurial action, the WHY, explicable and explain it through company-specific content (case studies with a tangible company reference)
- ▶ Emphasise the relevance of integrity for the day-to-day business interactions of each individual employee at suitable occasions and places (e.g. at works meetings, on the intranet, as part of training courses)
- ▶ Emphasise the relevance of integrity to the daily work of every single employee on appropriate occasions and in appropriate places (e.g. at company meetings, on the intranet, as part of training courses). Enabling employees and managers to make decisions and act, especially in difficult situations and ethical dilemmas (e.g. through training)

MEASURABILITY / KPI

- ▶ Evaluate decision documents according to what extent integrity/corporate values were taken into account in the decisions
- ▶ Qualitative query as to whether sufficient funds are provided for the function

MEASURE & SHORT DESCRIPTION

Continuous review and improvement

Integrity management does not constitute a one-off effort. Successful and credible integrity management requires the continuous commitment of all members of the organisation. The measures implemented are to be reviewed regularly for

their adequacy and suitability and, if necessary, adjusted or supplemented in the sense of a continuous improvement process.

BEST PRACTICES

- ▶ Regular review and, if necessary, adaptation of the corporate values by the Integrity department or within the framework of internal audits
- ▶ Regular review of integrity risks and the transfer of risk analysis to integrity management, including continuous analysis of the environment, especially regarding relevant developments on the part of stakeholders
- ▶ Continuous review of the integrity activities implemented and, if necessary, adjustment and supplementation

MEASURABILITY / KPI

- ▶ Compliance/Integrity maturity matrix:
 - Determination of "minimum compliance-integrity measures" by the central integrity/compliance function (e.g. training sessions conducted, participants reached in training sessions, implementation of guidelines, questions on the self-assessment of the integrity culture, consideration of integrity in career promotions)
 - Number/type of measures to be implemented can be determined depending on the unit's risk level
 - Individual KPIs can be furnished with a relevance factor that depends on how important the measures are
 - Collection of the KPIs per business unit/national company → transparent reporting of the KPIs
- The evaluation of the KPIs indicates the level of integrity/compliance maturity of the respective unit and provides an overview of the measures implemented and the degree to which the objectives have been achieved, thereby indicating the need for action
- The matrix score is included in the compliance officer's/head of unit's performance appraisal
- ▶ Compliance/Integrity pulse check:
 - Employee surveys on the integrity culture and the perception and impact of integrity activities

3.4

Communication and training

MEASURE & SHORT DESCRIPTION

Empowering employees to make decisions and act with integrity

The responsibility for integrity in decisions and actions lies with each individual employee. For integrity to be truly lived in the company, it is important to raise awareness among employees, especially for morally charged decision-making situations, and to provide them with strategies for solving these challenges.

Integrity as an attitude and decision-making maxim must be translated in day-to-day business life and the personal relevance highlighted using practical examples.

BEST PRACTICES

- ▶ Communicatively accompanied, target group-focused **integrity campaigns** in the sense of an **integrity day** with the aim of specifically acquiring the approval of employees for the issue of integrity

Note: A targeted follow-up of the activities carried out in suitable media, such as the in-house magazine, can strengthen the impact in addition, especially in the case of larger campaigns.

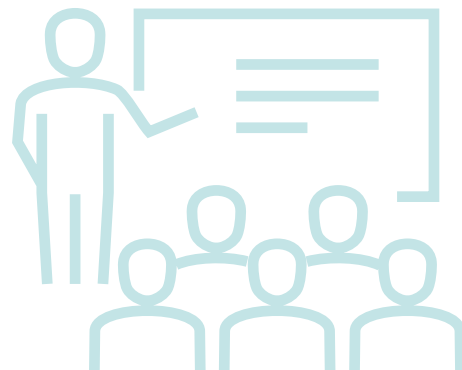
- ▶ Emotionalisation of integrity issues:

What does integrity mean...

- ... for me personally
- ... for my everyday work
- ... for my environment
- ... for our organisation

MEASURABILITY / KPI

- ▶ An employee survey or integrity survey checks how effective the communication was in relation to compliance & integrity
- ▶ User surveys on digital channels



MEASURE & SHORT DESCRIPTION

Interlocked approach to training and communication

To improve the range and increase the acceptance of training, all available communication channels should be used and combined in a meaningful way.

BEST PRACTICES

- ▶ Reference to integrity training through various communication channels (e.g. posters, online banners, MS teams wallpaper, desktop wallpaper, smart phone wallpaper)
- ▶ Appropriate communication campaigns to accompany training rollouts
- ▶ Involvement of Corporate Communications in the communication activities concerning integrity; if necessary, communication specialists can also be recruited for the Integrity department

MEASURABILITY / KPI

- ▶ An employee survey or integrity survey checks how effective the communication was in relation to compliance & integrity
- ▶ User surveys on digital channels

MEASURE & SHORT DESCRIPTION

Training sessions on integrity

Within the framework of training, employees are taught about the company's own values and their relevance for the company as a whole and for their own work. They acquire the necessary

skills and abilities to be able to recognise morally charged situations as well as the strategies for difficult decision-making and situations that pose dilemmas.

BEST PRACTICES

- ▶ Mandatory training on various issues of integrity, if possible, as a face-to-face/live training for better communication of the content and the opportunity for pose further questions
- ▶ Incorporation of integrity issues and value orientation into existing training (e.g. anti-corruption training, sales training)
- ▶ Inclusion of case studies and company-specific examples in training
- ▶ Gamification of training, for example in the shape of a **Dilemma Game** – playful discussions with employees at all levels and in all departments, based on fictitious situations of dilemmas encountered during everyday work: How would everyone conduct themselves personally in this given situation?

MEASURABILITY / KPI

- ▶ Evaluation of the participation rate in the training carried out (if applicable, broken down by department, specialist area or similar)
- ▶ Acquisition of structured feedback on the training carried out
- ▶ Training-related questions in general employee survey or integrity survey

MEASURE & SHORT DESCRIPTION	
Communication on integrity <p>The concept of "integrity", like the concept of compliance, is often still a foreign word for many employees and difficult to grasp. This makes continuous communication about integrity, in which the importance and relevance of integrity for the company is repeatedly explained, even more important. In this context, explanations based on tangible, preferably company-specific or personal case studies have proven to be particularly effective.</p>	
BEST PRACTICES	
<ul style="list-style-type: none"> ▶ Launching of communication channels and discussion forums for exchange on individual issues concerning integrity ▶ Accompanying integrity training rollouts with appropriate communication measures ▶ Continuous and ad hoc communication on integrity issues 	<ul style="list-style-type: none"> ▶ Set-up a self-service function on the intranet with further information on integrity <p>Note: If necessary, attention should be paid to ensuring availability in several languages to ensure an appropriate reach.</p>
MEASURABILITY / KPI	
<ul style="list-style-type: none"> ▶ An employee survey or integrity survey checks how effective the communication was in relation to compliance & integrity ▶ User surveys on digital channels 	<ul style="list-style-type: none"> ▶ Evaluation of the number of users/clicks on the intranet ▶ Evaluation of the data on user behaviour on the intranet

MEASURE & SHORT DESCRIPTION	
Speak-up culture <p>Employees feel confident and encouraged to openly address sensitive issues, concerns and misconduct, but also voice their ideas and suggestions. Information and suggestions are valued by the company and are taken up and addressed within the appropriate functions. The critical feedback provided by employees is also very valuable with a view to innovations and enhancements in the various business areas. A positive working environment also has a positive effect on employee motivation and productivity.</p>	
BEST PRACTICES	
<ul style="list-style-type: none"> ▶ Engendering of trust and safety on the part of the employees ("psychological safety"¹⁷) ▶ In their statements and actions, managers and the management promote an open culture of communication in which employees can openly address mistakes, misconduct and concerns, and in which constructive criticism and ideas are taken seriously ▶ "Listen Up": Managers and the management take the tips and suggestions seriously and react proactively to "Speak Up" 	<ul style="list-style-type: none"> ▶ Establishment of an anonymous option for reporting misconduct (whistle-blower system) and implementation of whistle-blower protection processes ▶ Communication and implementation of a zero-tolerance policy for dealing with the detection and sanctioning of violations
MEASURABILITY / KPI	
<ul style="list-style-type: none"> ▶ Number of reports/enquiries to the Compliance/Integrity Hotline ▶ Number of substantial reports via the whistle-blower system 	<ul style="list-style-type: none"> ▶ Number of innovations' reports or reports as part of a continuous process of improvement ▶ Inclusion of questions about the error culture and "Speak-up culture" in existing employee surveys

17 cf. Google via re:Work Guide "Understand Team Effectiveness".

MEASURE & SHORT DESCRIPTION

Open culture of communication: Encourage and facilitate “Speak Up”

BEST PRACTICES

- ▶ The importance of a culture of open communication for effective integrity management: Example from practice:
 - The values of the company are to be understood as guiding for the actions and the culture. TÜV Rheinland has defined integrity as a value for itself. This is what we want to stand for, and therefore should be reflected in the actions of our managers and employees.
 - The promotion of integrity can result from the proactive reporting of real situations of dilemma, which are then evaluated in an open-ended manner. Proactive reporting of inappropriate business partner/customer requests also enhances integrity as long as an appropriate communication loop exists.

- For example, personally experienced attempts at bribery can be actively reported. The management officially communicates with the reporting party, if necessary, with the involvement of the reporting party's management, as a thank you for their openness and transparency. This feedback in the form of a letter of appreciation from the company management may vary in strength from country to country and culture to culture. On a small scale, in the form of a bilateral exchange to a large scale, e.g. an “Honesty/ Integrity Employee Award”.

Source: TÜV Rheinland AG

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