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## How to Develop an Institutional Code of Ethics

Institutional ethics can directly impact the way employees, partners, customers and the community view an organization's image and reputation. A Code of Ethics and / or Conduct is a useful tool to convey an institution's values, principles and expectations of how staff and the organization as a whole will conduct business in an ethical and responsible manner. When an institution's ethical standards are clearly communicated to both internal and external parties, and members of the organization are held accountable to enforce and uphold the standard, it supports and enhances the reputation of a microfinance institution.

The following details how a Code of Ethics or Code of Conduct can be established within your institutions:

**1<sup>st</sup> Step - Formation of a Committee, Board or Commission** – This group should be comprised of members from the Board of Directors, Legal Department, Human Resources and other areas to provide diverse representation and an integrated understanding of the institution's ethics and/or values. It is recommended that the number of people in the group is odd to avoid ties when making decisions and to facilitate the renewal of its members periodically. A calendar should be created for the development, review and consensus of the final Code of Ethic /Conduct document; a coordinator or secretary of the group should be identified and he/she will be responsible for establishing the calendar and the process by which progress of this project will be tracked.

**Recommendation** → Create the group of an odd number of people:

1. This will help avoid ties in decisions; and
2. Will help the periodic renewal of members.

**2<sup>nd</sup> Step - Powers (Attributes) of the Committee, Board or Commission** – Once the group is formed, it is important to determine the extent of its authority. The group will develop the Code of Ethics/Conduct and can have a longer-term role of as a panel for consultation or resolution of cases where the Code has been violated.

**Recommendation** → Offer a direct channel of communication to the Committee.

1. Group email address (e.g. codeofethics@institution.com);
2. Code of ethics suggestion boxes located in strategic points of the institution.

**3<sup>rd</sup> Step - Notice to employees and partners** – While the document is in the development and approval process, notify employees of progress and invite them to participate.

**Recommendation** → Work with the institution’s Human Resource, Communications, or other applicable departments to develop a communication strategy to update and solicit feedback from employees:

1. It is recommended to communicate in a straightforward way with key leaders and those responsible for critical areas within the institution. This is a good practice because they can help support, provide feedback and disseminate information about the Code on behalf of the working group; and
2. Promote a direct channel of communication between the employees inviting them to participate.

**4<sup>th</sup> Step - Draft Code or Project** –The objectives of the document are to establish the ethical principles and norms of behavior that should govern the internal and/or external relations of all members of the institution, regardless of its powers or responsibilities.

**Recommendation** → In order for the document to achieve its objectives, it is recommended to adopt a Draft Code or Project with all the issues relevant to institutional culture and to monitoring operational activities.

**5<sup>th</sup> Step One - Content, updating and revision** – The very basic form of a Code of Ethics/Conduct should focus on the mission, organizational values and outline the institutional vision. As organizations are constantly evolving and reacting to various factors, it is recommended that the Code be reviewed periodically to ensure that it is keeping up with the current institutional environment.

**Recommendation** → The content must be updated and revised periodically as a way to meet the needs of the institution and changes taking place in the industry.

**6<sup>th</sup> Step - Review of Draft Code and Project** – After the timely completion of the document, it should be given to employees of the organization—from the executive and managerial level to staff and partners—for discussion and feedback because they are an integral part of upholding and maintaining the integrity of the Code.

**7<sup>th</sup> Step One - Return of the Draft Code and Project to the Committee, Board or Commission** – During this time the Committee, Board or Commission shall appraise the comments and / or suggestions made.

**Recommendation** → It is very important that the wording of the final document is clear, objective and straightforward so the meaning of each principle or expected behavior is understood.

1. A glossary of terms is one way to clarify concepts that may be difficult to understand.

**8<sup>th</sup> Step - Dissemination of the Code of Ethics or of Conduct** - There should be a formal presentation of the Code to employees, partners or strategic and special guests. The main objective of is to have employees agree to what is outlined in the Code and make a promise to uphold the standards by signing a copy of the document.

**Recommendation** → The institution must have the document available to the internal and external target audiences.

1. Webpage, demonstrating an ethical and transparent approach;
2. Promote the Code by publicly distributing to the target audiences; and
3. Promote the Code during conferences or business meetings, trainings, especially with the area managers, as they can become tutors or ambassadors of the Code in their respective regions.
4. An event might be promoted as an honor code signing to consolidate what has been established in the document.

**9<sup>th</sup> Step - Action by Tutors or Ambassadors of the Code** - For the Code to be meaningful, managers and guardians of the code in their respective work teams should become ambassadors of the code among staff, using simple strategies to keep the Code alive. Also, it is important for there to exist processes for monitoring and enforcement of the Code.

**10<sup>th</sup> Step - Training new employees and / or collaborators** - People who join the institution should receive a printed copy of the Code when signing the employment contract. This is a good opportunity for Human Resource staff to answer questions about the Code and expected conduct the new employee must abide by when becoming part of the institution. This is the time to offer the new and old employees a possibility of signing a formal commitment to the content of the Code.

In practice, the Code should provide guidelines on how staff are treated, in order to prevent discrimination, and encourage the honest and appropriate conduct of employees and clients, in accordance with a fair and respectful work environment.