

# A self assessment toolkit on ethics for Chartered Financial Planners

Delivering a professional service

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Success in CII qualifications is universally recognised as evidence of knowledge and understanding. Membership of the CII signals a desire to develop broad professional capability and subscribe to the standards associated with professional status.

The CII works with businesses to develop bespoke, company-wide solutions that ensure competitive advantage by enhancing employees' technical and professional competence.

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Please forward any views you may have on the service you receive, whether they are positive or otherwise.

We take all such comments seriously, answer them individually, and use them to help ensure that we continually improve the service we provide.

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# The Chartered Insurance Institute

## About the author

This self assessment has been written by Duncan Minty, an independent adviser on corporate responsibility and business ethics. Duncan is a Chartered Insurance Practitioner, having worked in insurance for over 20 years in a variety of roles. You can follow his thoughts and comments on the ethical dimension of current insurance issues at [www.ethicsandinsurance.info](http://www.ethicsandinsurance.info)



# Welcome

Thank you for taking the time to look at this ethics self assessment for Chartered Financial Planners.

The Chartered Insurance Institute is committed to helping Chartered firms uphold the highest standards of professionalism. Ethics is an important part of professionalism and by undertaking this short self assessment, Chartered Financial Planners will improve their understanding of how to manage ethics in support of the professionalism of their business.

There's a lot more to this module though than simply the self assessment. It contains lots of practical advice and helpful guidance as well. Here are a few examples:

- A clear argument for why ethics is important to Chartered Financial Planners.
- Feedback on each question in the self assessment, from which an action plan can be drawn up for tackling any areas of concern.
- Ideas on how to communicate your ethical values to employees, client and prospects.
- Guidance on how to involve employees in building and sustaining ethical practices.

This ethics self assessment is not compulsory for Chartered Financial Planners. However, the CII would strongly urge you to consider undertaking it. Remember that as a Chartered firm, you've made a commitment to have in place core values and business practices that align with the CII Code of Ethics. Undertaking this ethics self assessment and acting on the feedback it provides will help you meet those commitments.

The self assessment itself takes up three pages of this document, so it should only take about 20 minutes to answer its questions. You'll then need another 10 minutes to draw up an action plan from the feedback section.

If you're a very small firm, we would still recommend that you undertake the self assessment, for ethics is important to your clients and employees, whatever their number. However, some of the questions may seem unduly onerous to a firm with only a handful of employees, so answer them proportionately and use the feedback provided to create a tailored action plan for your firm.

Once you've undertaken the self assessment and implemented the action plan that flowed from it, remember to tell clients and employees about the value that they will get from your ethical stance. If you want the professionalism inherent in your Chartered firm status to be a differentiator, you need to communicate what that difference is. You'll find more about this in the 'Communications' section on page 26.

We don't need to know how you've got on in the self assessment – the important thing is for you to know how well you've got on and where any steps need to be taken to improve.

We hope you find it useful.

# Introduction

It's called a self assessment, but there's more to it than that. Here are its six components:

1. An introduction to ethics and the business benefits from paying attention to it.
2. The **self assessment** itself, with supporting explanations for each question.
3. **Feedback** on each question in the self assessment, using scores and actions points.
4. **Practical** guidance on a range of things you can do to develop the ethics of your firm.
5. **Communicating** your ethical values to clients and employees.
6. **Resources** for how to find out more.

You're probably already familiar with what ethics means and the business benefits of paying it attention, but just as a quick reminder, here's a summary of the key points for Financial Planners to bear in mind.

Ethics are about standards of behaviour. They form part of our personal, professional and business lives. A profession such as financial planning has ethical standards because they help define who we are and how we do things. They differentiate us.

A business has ethical standards for two reasons: firstly, there's something to be gained by defining what the firm stands for and how it conducts itself, and secondly, they're placed upon a business as part of its 'licence to operate', for example by the Financial Conduct Authority (FCA). Let's look a bit more closely at that 'something to be gained' reason. You can summarise those gains as follows:

1. It helps to gain and retain business, because it helps build your clients' confidence in the services you provide them with. They may not use the word 'ethical', but they will certainly expect you to uphold good standards of behaviour when dealing with them.
2. It reduces the risk to your firm of people doing business the wrong way and the financial and reputational fallout that produces. The highly connected world we work in means that such things can all too easily spill out into the public domain.
3. It helps to gain and retain people whose ways of working are more likely to be in tune with how you want things done at your firm.

This picture emerges: working to ethical values like honesty and integrity helps build trust, which in turn builds relationships, which in turn builds business.

Let's move on to that second reason for a business having ethical standards: they form part of the 'licence to operate' that the FCA places on financial planners. The FCA tends not to talk about 'ethics', preferring honesty and integrity instead. They give those terms top billing: the first of the Principles for Businesses that your firm has to uphold talks about a firm conducting its business with integrity. The first principle that your approved people have to uphold says that they must act with integrity in carrying out their controlled function. It's also a core part of Treating Customers Fairly.

So how will this self assessment help with your FCA compliance? It will give you a clear action plan for managing a subject that most firms probably find a bit hard to grasp. That action plan is something that the FCA will be interested in the next time they're in contact with you. It will show them that you're addressing one of their big principles and that as a result, all sorts of spin off influences will be happening within your business. It should send a positive signal to the FCA about how your firm is being managed. And that signal should help the FCA adjust how they see your firm and how they engage with it.

# The self assessment part 1

The self assessment is in two parts. Part 1 looks at the Responsible Member's understanding of the CII's Code of Ethics (the Code). Part 2 looks at the actions that the Chartered firm has been taking in support of the Code.

The seven questions forming Part 1 of the self assessment are set out below. Record your answer by ticking the most appropriate of the five boxes to the right of each question. On the next page are explanatory notes about each question. Feedback on each answer can be found on page 12. Before we start, let's define a couple of terms that appear quite frequently in this self assessment.

## The 'Code'

This refers to the CII's Code of Ethics. If your firm has its own code of ethics, then you can interpret references to the Code in terms of your own one, but only if you are certain that your code is equivalent to, or exceeds, the CII's Code in terms of both its scope and depth.

## The 'Board'

If your firm is relatively small, you may interpret references to 'the Board' as meaning the most senior group of executive level decision makers at your firm.

The Responsible Member						
1.1	How knowledgeable would you say you are about what the Code is there to achieve?	Not at all	A bit	Could get by	Familiar	On the ball
1.2	How many of the five 'core duties' set out in the Code can you recall off hand?	None	1 or 2	3	4	All 5
1.3	If a client asked you to explain the Code in the context of the service you provide to them, how easy would you find that?	Not at all	A bit hard	Could get by	Alright	Easy
1.4	If an employee asked you to explain the Code in the context of the work they do, how easy would you find that?	Not at all	A bit hard	Could get by	Alright	Easy
1.5	If an employee raised an ethical concern with you, are you confident that you'd know how to respond?	Not at all	A bit hard	Could get by	Alright	Easy
1.6	Have you undertaken any training in ethics during the past three years?	None	A little	Some	Part course	Full course
1.7	If you wanted to find out more about ethics, are you confident that you'd know where to look?	Not at all	A bit hard	Could get by	Alright	Easy

# Explanatory notes for part 1

It's important that the Responsible Member has a reasonable understanding of ethics. This is because the RM is responsible for ensuring the Chartered firm's compliance with all of the requirements of the corporate Chartered title. One of those requirements is that the Chartered firm has in place 'core values and business practices that align with the CII Code of Ethics.'

## Question 1.1

The Code has five specific core duties, but it also has an overarching purpose. This question is about that overarching purpose. In other words, could you explain to someone what the Code is there to achieve?

## Question 1.2

You don't need to know the exact wording of each core duty. So long as you can recall in broad terms what a core duty is about, that would be sufficient to count. If you're referencing your own code, then ask an equivalent question about the key sections of your own code.

## Question 1.3

In other words, if a client asked something along the lines of "what does this mean for me?" when referring to the ethical requirements of the Chartered title, how confident would you feel answering their question?

## Question 1.4

In a similar vein to question 1.3, how confident would you feel answering a similar such question from an employee?

## Question 1.5

It's good that the employee has raised an ethical concern with you! After all, they could have just ignored it, with possible repercussions for your firm. With the "ball now in your court", how confident are you that you can respond to them in the right way?

## Question 1.6

Give yourself a score that reflects the following scale:

- A little = I've read an article on ethics in the PFS's Financial Solutions
- Some = I've read several articles on ethics in the PFS's Financial Solutions
- Part Course = I've read the series of articles on ethics in the PFS's Financial Solutions and attended a talk/seminar that touched on ethics and insurance
- Full Course = I've taken the CII's Online Ethics Course (or its equivalent in structured training)

## Question 1.7

Places to look to find out more about ethics could include the internet, magazines, books, colleagues, experts, institutes, etc.

# The self assessment part 2

Part 2 of the self assessment looks at the actions that the Chartered firm has been taking in support of the Code. Its 18 questions are set out below. Record your answer by ticking the most appropriate of the boxes to the right of each question. On the following pages are explanatory notes about each question. Feedback on each answer can be found on page 15.

## Visible Leadership

2.1	Has a senior director of your firm made a clear statement to all staff about the importance of complying with the Code and if so, how long ago?	No	Over 2 yrs ago	1–2 yrs ago	In last 12 months
2.2	Does your firm’s website carry a similar statement to that in 2.1 above, for clients and prospects to see?	No	Mentions professionalism	Mentions ethics or integrity	Explicitly refers to the Code

## Decision Making

2.3	How has responsibility for the firm’s compliance with the Code been assigned to you (the Responsible Member)?	Didn’t realise it had been	Only informally	Yes and noted in minutes	Yes – in job description
2.4	Have you (the Responsible Member) reviewed the specific steps that your firm is taking to comply with the Code and if so, how long ago?	No	Over 2 yrs ago	1–2 yrs ago	In last 12 months
2.5	Has the Board received a report on the exposures that your firm faces from ethical risks and if so, how long ago?	No	Over 2 yrs ago	1–2 yrs ago	In last 12 months
2.6	Does the firm have controls in place to manage the more significant risks from ethical conduct?	No	Ad hoc checks made	Informal checks for each risk	Formal controls for each risk
2.7	Does your Board receive reports on the number and nature of any possible and actual breaches of the Code?	No	Only if an incident occurs	1–2 yrs ago	In last 12 months

## Awareness, Training and Competence

2.8	Is everyone in your firm able to easily access a copy of the Code?	No	They can ask for a copy	Via the CII website	Everyone has their own copy
2.9	Have you (the Responsible Member) explained to staff about the Code and its five core duties and if so, how long ago?	No	Over 2 yrs ago	1–2 yrs ago	In last 12 months



# Explanatory notes for part 2

## Question 2.1

This should be a clear statement about ethics and your firm's Chartered status, not just a passing reference within a much broader statement. A senior director would be someone who sits on your firm's management board.

## Question 2.2

A reference to professionalism is not necessarily something that clients or prospects will immediately link with ethics. Equally, a general reference to ethics or integrity is good, but doesn't answer the question of 'what ethics in particular'.

## Question 2.3

If responsibility has been assigned on the basis of compliance with the overall terms of your firm's Chartered status (as opposed to the Code specifically), then you can answer this question on that equal basis. That said, this question is equally about the extent to which that assignment of responsibility has been formalised.

## Question 2.4

'Specific steps' should amount to more than just telling staff about the Code and handing out a copy of it to everyone. This question is about looking at each of the Code's core duties and being satisfied that your firm has done something to fulfil its requirements.

## Question 2.5

If your firm hasn't yet reviewed the exposures it faces from ethical risks, or if it has done so but found no such risks, then answer 'no' to this question. The reference to the Board receiving such a report is important, for the ultimate decision makers in your firm must understand the nature and extent of the risks their firm is facing.

## Question 2.6

If your firm's review of ethical risks has identified any that are significant, then this question asks about the measures that have been put in place to control them. A 'formal control' would be one that is integrated into your compliance programme.

## Question 2.7

This question completes the circle of what decision makers need to know in order to manage an issue such as ethical conduct. Having taken steps to identify and manage ethical risks, they then need to know of such incidents as a check on how effective their earlier actions have been.

## Question 2.8

Take 'easily' to mean taking a copy out of their desk drawer or opening an electronic copy by clicking on a folder on their computer.

## Question 2.9

This question is about devoting some time at a staff meeting to talk about the broad purpose of the Code and its five core duties, and to answer any questions staff may raise.

# The self assessment part 2 continued

Awareness, Training and Competence (continued)				
2.10 When was the last time anyone other than yourself (the Responsible Member) undertook structured training in ethics?	Never	Over 2 yrs ago	1–2 yrs ago	In last 12 months
2.11 Do job descriptions used by your firm make reference to either ethics in general, or to the Code?	No	Only indirect reference	Yes – ethics in general	Yes – the code
Recruitment and Promotion				
2.12 Is the firm’s commitment to the Code made clear during interviews?	No	Occasionally	It’s usually mentioned	Yes – very clearly
2.13 Is a copy of the Code given to new recruits when they start work with your firm?	No	If they ask for it	Referred to CII website	Yes – in starter pack
2.14 Does the firm’s commitment to the Code feature in the appraisal process?	No	Only if an issue in year	Yes – for senior staff	Yes – for everyone
2.15 Does the firm take an individual’s track record on ethical matters into account when considering promotions?	No	Only informally	Yes – but not openly	Yes and openly
Rewards and Discipline				
2.16 Does your firm take an individual’s track record on ethical matters into account when setting the performance element of their remuneration?	No	Only informally	Yes – if they’ve slipped up	Yes – for both positives and negatives
2.17 Does your disciplinary policy make reference to the need to comply with the Code?	No	Only very generally	Mentions honesty and integrity	Yes – very clearly
Dealing with Ethical Concerns				
2.18 Does your firm have a whistleblowing or speaking up policy for staff to use when reporting an ethical concern?	No	They know to speak to me	Yes – to executive director	Yes – with independent director

# Explanatory notes for part 2 continued

## Question 2.10

For the purposes of this question, structured training can include attending a course on ethics, taking an online or multi-media course (for example, the CII's online ethics course) or reading material for an ethics course and answering its associated multiple choice questions. The reason for asking it is that ethics shouldn't just be one person's domain – it should be something that people other than just the Responsible Member pay attention to.

## Question 2.11

This question is asked because people are likely to take ethics more seriously if it's a specific item in their job description. An 'indirect reference' could include mention of your Chartered status or acting professionally at all times.

## Question 2.12

Making your commitment to the Code clear at the interview stage signals to candidates that your firm is serious about ethics. This will attract people who share that commitment and put off people who aren't interested in behaving ethically. It doesn't mean reading the Code to them, but it could include giving them a copy and pointing out the broad purpose and its core duties to them.

## Question 2.13

This question brings together 2.8 and 2.12 and asks about how you position ethics and the Code with new people to the firm. This is important because new people bring other firm's ways of working with them to your firm, and those ways of working could influence your firm's ethical risk.

## Question 2.14

The feedback element of the appraisal process is an important opportunity for both people involved to talk about any concerns they might have about ethical behaviour.

## Question 2.15

This covers both positive behaviours and negative behaviours. So, for example, how would your firm deal with someone who was successful in financial terms, but questionable in the ethics of how they behaved?

## Question 2.16

This is about sending the right signal. If you reward someone who is financially successful, but ethically dubious, then other staff will pick up on this and some will emulate that type of behaviour. If you reward someone who shows ethical leadership, then, again, other staff will pick up on this and some will emulate that type of behaviour.

## Question 2.17

This question is about joining the dots to complete the picture, by looking at how ethics and the Code feature in your firm's disciplinary policy. In other words, to what extent does your policy support taking disciplinary action against someone who has breached the Code?




## Question 2.18

You can't assume that ethical concerns won't arise in your business at some point in time. This question asks about the extent to which you've made preparations that allow staff to come forward with confidence about an ethical issue that concerns them.

# Feedback on part 1

In this section, we provide you with feedback on each of the self assessment questions in Part 1. The purpose of this feedback is for you to recognise areas of strength and weakness in your understanding of the Code and the ethical behaviour it supports. It allows you to build an action plan for improving that understanding and so ensure continued compliance with a key term upon which your firm holds its Chartered firm status.

The feedback uses a traffic light system, with an explanation of each colour set out in the box below. Underneath each question are suggestions of the actions you should consider taking.

-  A serious failing that requires immediate action (for example, within the next 2 weeks).
-  A concern which needs attention over the next 2 months.
-  Good result – remember to take steps over the next 12 months to avoid slipping to orange.

1.1 How knowledgeable would you say you are about what the Code is there to achieve?	Not at all	A bit	Could get by	Familiar	On the ball
	Action: As orange, plus take the CII's online ethics course				
	Action: As green, plus take time out and discuss what the Code means with a colleague				
	Action: Keep a copy of the Code handy and brush up on it from time to time				
1.2 How many of the five 'core duties' set out in the Code can you recall off hand?	None	1 or 2	3	4	All 5
	Action: Take time out and have a serious read of the CII Code of Ethics, then do as per orange below				
	Action: Discuss what the five core duties mean with a colleague, then do as per green below				
	Action: Write the five core duties on a reminder note and keep it handy				
1.3 If a client asked you to explain the Code in the context of the service you provide to them, how easy would you find that?	Not at all	A bit hard	Could get by	Alright	Easy
	Action: Take the CII's online ethics course				
	Action: Collect your client facing staff together and discuss with them what the Code means				
	Action: Consider putting that explanation on your website, so all clients and prospects can see it				

# Feedback on part 1 continued

1.4 If an employee asked you to explain the Code in relation to the work they do, how easy would you find that?

Not at all

A bit hard

Could get by

Alright

Easy

Action: Take the CII's online ethics course

Action: Collect your key staff together and discuss with them what the Code means

Action: Consider putting that explanation on your intranet, so all employees can see it

1.5 If an employee raised an ethical concern with you, are you confident that you'd know how to respond?

Not at all

A bit hard

Could get by

Alright

Easy

Action: Take the CII's online ethics course and in particular, its 'Respond' section

Action: Take the CII's online ethics course and in particular, its 'Respond' section

Action: Check your 'speaking up' (aka whistleblowing) policy to ensure it works as you intend it to

1.6 Have you undertaken any training in ethics during the past three years?

None

A little

Some

Part Course

Full Course

Action: Take the CII's online ethics course within the timescale for red

Action: Take the CII's online ethics course within the timescale for orange

Action: Keep up to date by reading ethics material on the CII website

1.7 If you wanted to find out more about ethics, are you confident that you'd know where to look?

Not at all

A bit hard

Could get by

Alright

Easy

Action: Take time out and do this now – see the Resources page of this self assessment

Action: Build up a set of links, pdfs and contacts – see the Resources page of this self assessment

Action: Consider putting some of these ethics resources on your firm's intranet site

# Feedback on part 1 continued

Now consolidate your list of actions and their priorities in the action table below.

No. of Green	
No. of Orange	
No. of Red	

	The action to be taken	Priority			By when
		Green	Orange	Red	
1.1					
1.2					
1.3					
1.4					
1.5					
1.6					
1.7					

# Feedback on part 2

In this section, we provide you with feedback on each of the self assessment questions in Part 2. The purpose of this feedback is for you to recognise areas of strength and weakness in your firm's response to the Code and the ethical behaviour it supports. It allows your firm to build an action plan for improving that response and so ensure continued compliance with a key term upon which it holds its Chartered firm status.

The feedback uses a traffic light system, with an explanation of each colour set out in the box below. Underneath each question are suggestions of the actions your firm should consider taking.

- A serious failing that requires immediate action (for example, within the next 2 weeks).
- A concern which needs attention over the next 2 months.
- Good result – remember to take steps over the next 12 months to avoid slipping to orange.

2.1 Has a senior director of your firm made a clear statement to all staff about the importance of complying with the Code?	<b>No</b>	<b>Over 2 yrs ago</b>	<b>1–2 yrs ago</b>	<b>In last 12 months</b>
Action: As orange, but have the statement made in the timescale for red				
Action: As green, plus make the next such statement in the timescale for orange				
Action: Communicate that statement on an annual basis, linking it to something topical for your firm				
2.2 Does your firm's website carry a similar statement to that in 2.1 above, for clients and prospects to see?	<b>No</b>	<b>Mentions professionalism</b>	<b>Mentions ethics or integrity</b>	<b>Explicitly refers to the Code</b>
Action: Create the necessary webpage and put an item about it in the 'news' section of your website				
Action: As green, plus revise the wording to explicitly refer to the Code				
Action: Explore ways in which to promote that link to clients and prospects				
2.3 How has responsibility for the firm's compliance with the Code been assigned to you (the Responsible Member)?	<b>Didn't realise it had been</b>	<b>Only informally</b>	<b>Yes and noted in minutes</b>	<b>Yes – in job description</b>
Action: Have that responsibility confirmed and then follow actions in orange below				
Action: Have your board formalise that arrangement and consider putting it in their job description				
Action: If only minuted, consider incorporating that responsibility into the person's job description				

# Feedback on part 2 continued

2.4	Have you (the Responsible Member) reviewed the specific steps that your firm is taking to comply with the Code?	No	Over 2 yrs ago	1–2 yrs ago	In last 12 months
Action: Create a clearly documented compliance process and monitor its implementation					
Action: As green, plus review the compliance schedule that you've been working to					
Action: Make sure this happens annually and consider having a third party review the process					
2.5	Has the Board received a report on the exposures that your firm faces from ethical risks?	No	Over 2 yrs ago	1–2 yrs ago	In last 12 months
Action: As orange, but within the timescale for red					
Action: Take steps to undertake such a review and have it presented to the Board, then follow green					
Action: Ensure that the report is submitted annually and that actions from it are implemented					
2.6	Does the firm have controls in place to manage the more significant risks from ethical conduct?	No	Ad hoc checks made	Informal checks for each risk	Formal controls for each risk
Action: Review the risks, prioritise the more significant ones and put internal controls in place					
Action: Integrate these ethics risks into your formal internal control process					
Action: Ensure that the risks are reviewed in line with your overall corporate governance process					
2.7	Does your Board receive reports on the number and nature of any possible and actual breaches of the Code?	No	Only if an incident occurs	1–2 yrs ago	In last 12 months
Action: As orange, but within the timescale for red					
Action: Prepare such a report and have it presented to the Board, then follow green below					
Action: Ensure that such reports are submitted annually and lessons are learnt from incidents					
2.8	Is everyone in your firm able to easily access a copy of the Code?	No	They can ask for a copy	Via the CII website	Everyone has their own copy
Action: As orange, but within the timescale for red					
Action: Provide all staff with a personal copy in either paper or electronic format					
Action: Make sure that it's the current version (April 2014)					



# Feedback on part 2 continued

2.9 Have you (the Responsible Member) explained to staff about the Code and its five core duties?	<b>No</b>	<b>Over 2 yrs ago</b>	<b>1–2 yrs ago</b>	<b>In last 12 months</b>
Action: As orange, with each core duty fully explained, but with a focus on those closest to key risks				
Action: As green, within the timescale for orange				
Action: Ensure that this is done annually, with a focus on the core duties closest to key risks				
2.10 When was the last time anyone other than yourself (the Responsible Member) undertook structured training in ethics?	<b>Never</b>	<b>Over 2 yrs ago</b>	<b>1–2 yrs ago</b>	<b>In last 12 months</b>
Action: As orange, but within the timescale for red				
Action: Ensure that all CII members working in areas of key ethical risk take the online ethics course				
Action: Ensure that all chartered members take the CII's online ethics course during the next year				
2.11 Do job descriptions used by your firm make reference to either ethics in general, or to the Code?	<b>No</b>	<b>Only indirect reference</b>	<b>Yes – ethics in general</b>	<b>Yes – the Code</b>
Action: As orange, but include such a reference now for staff working in areas of key ethical risk				
Action: As green, plus include such a reference when job descriptions are next updated				
Action: Encourage managers to talk about the Code during the appraisal process				
2.12 Is the firm's commitment to the Code made clear during interviews?	<b>No</b>	<b>Occasionally</b>	<b>It's usually mentioned</b>	<b>Always and very clearly</b>
Action: As orange, but within the timescale for red				
Action: As green, within the timescale for orange				
Action: Make sure that the commitment is made part of the formal process for all interviews				
2.13 Is a copy of the Code given to new recruits when they start work with your firm?	<b>No</b>	<b>If they ask for it</b>	<b>Referred to CII website</b>	<b>Yes – in starter pack</b>
Action: As orange, but within the timescale for red				
Action: Include a paper copy of it as part of the starter pack, then follow green below				
Action: Encourage new recruits to ask questions about it and point out its relevance to their work				

# Feedback on part 2 continued

2.14 Does the firm's commitment to the Code feature in the appraisal process?	No	Only if an issue in year	Yes – for senior staff	Yes – for everyone
Action: As orange, but within the timescale for red				
Action: As green, plus incorporate it for all staff and each year				
Action: Encourage managers to talk about the Code during the appraisal process				
2.15 Does the firm take an individual's track record on ethical matters into account when considering promotions?	No	Only informally	Yes – but not openly	Yes and openly
Action: As orange, plus make it a formal part of the assessment criteria for promotions				
Action: Be more open, especially when promotions are influenced by good ethical track records				
Action: Make sure this is for good, as well as bad, ethical track records				
2.16 Does your firm take an individual's track record on ethical matters into account when setting the performance element of their remuneration?	No	Only informally	Yes – if they've slipped up	Yes – for both positives & negatives
Action: Announce to all staff that performance assessments will henceforth take account of ethics				
Action: As green, plus extend this to reward someone with a good ethical track record				
Action: Make sure this is understood by all those with a performance element to their remuneration				
2.17 Does your disciplinary policy make reference to the need to comply with the Code (either the CII's or your own firm's)?	No	Only very generally	Mentions honesty & integrity	Yes – very clearly
Action: As orange, but within the timescale for red				
Action: As green, plus revise your disciplinary policy to include an explicit reference to the Code				
Action: Make sure that all staff have a copy of the Code and check on this annually				
2.18 Does your firm have a whistleblowing or speaking up policy for staff to use when reporting an ethical concern?	No	They know to speak to me	Yes – to executive director	Yes – with independent director
Action: Implement a proper speaking up policy that includes access to an independent director				
Action: As green, plus replace the executive director with one who is independent				
Action: Ask the independent director to provide the Board with an 'anonymised' report each year				

# Feedback on part 2 continued

Now consolidate your list of actions and their priorities in the action table below.

	Part 1 self assessment	Part 2 self assessment	Combined for parts 1 and 2
No. of Green			
No. of Orange			
No. of Red			

	The action to be taken	Priority			By when
		Green	Orange	Red	
2.1					
2.2					
2.3					
2.4					
2.5					
2.6					
2.7					
2.8					

## Feedback on part 2 continued

	The action to be taken	Priority			By when
		Green	Orange	Red	
2.9					
2.10					
2.11					
2.12					
2.13					
2.14					
2.15					
2.16					
2.17					
2.18					

# Practical

## Three 'big things' to remember

As the Responsible Member, you now have an understanding of the strengths and weaknesses, with regard to ethics, of both you and your firm. You have an action plan to address any areas of weakness, with a timetable to implement it. Let's stand back from that detail for a minute and think of three 'big things' that you should try to keep in mind. The three 'big things' that follow are recommended, but you may want to reword them in your own style.

- Firstly, lead by example in how you apply ethics in your everyday work.
- Secondly, be approachable to employees seeking guidance about ethics and ethical concerns.
- Thirdly, be familiar with how you could guide an employee through certain ethical issues.

Each of these three 'big things' are linked. If you lead by example, you're more likely to have employees approach you seeking guidance on an ethical issue. If you're familiar with how to guide them through that ethical issue, that will be picked up by other employees who will be more willing to come to you at some point in the future with their ethical issues. Good ethical practice becomes more commonplace across your firm, bringing business benefits from how employees work and how clients respond. All of this contributes to your evidence trail for how you've been complying with the 'honesty and integrity' elements of the FCA's arrangements for approved persons.

It's a virtuous circle. You shouldn't expect a queue forming outside your door, but you will have reached that 'tipping point' when people see that your door is open to discuss ethical issues.

# Practical continued

## Handling ethical dilemmas

Some ethical issues will be quite easy to resolve; others more complex. Here are some guidelines for handling the more complex ones, which are usually referred to as ethical dilemmas. Let's begin with what an ethical dilemma might look like.

Here are three simple signs to look for. Firstly, an 'ethical' dilemma will touch more heavily on matters of principle, compared with other types of 'business dilemmas'. Secondly, some of those principles will be in conflict. Thirdly, resolving the ethical dilemma is best undertaken by seeing it through the lens of values (your own values, your firm's values and your profession's values).

It helps, therefore, if you're already familiar with the values that your firm wants you to uphold and the ethical values that your profession wants you to uphold. If you have personal values which you hold dear, then you will understand what you expect of yourself. Those values (personal, organisational, professional) will form the lens through which to approach an ethical dilemma.

### Ethical dilemmas – how to manage them

The first step in managing an ethical dilemma is to avoid thinking that the approach you should adopt has to be something specialised or unique. The steps you should follow are those that you should apply to any difficult management decision. Ethical decision making bears a remarkable resemblance to good quality, everyday management decision making. So you don't need to learn anything new; you simply need to remember how to do everyday decision making well.

Here are the steps you should consider taking when managing an ethical dilemma:

1. **Identify who's involved** ...so that you've got a clear picture of who's got a stake in how the dilemma emerged and how it might be resolved.
2. **Make sure you're clear about all the facts** ...by checking what you've been told and asking for clarification of any grey areas.
3. **Set out the dilemma in clear terms** ...so that it fairly represents the interests of the key people involved.
4. **View the dilemma through the lens of organisational values and professional ethics** ...because they're there to help resolve questions of principle.
5. **Identify the options for how the dilemma could be resolved** ...so that you have alternatives that you can weigh up and then estimate the impacts of.
6. **Choose the option that fits best with those values and ethics** ...because if they're to mean anything, it's in situations like these.
7. **Ask a work colleague for a second opinion on your preferred option** ...because receiving feedback from a critical friend will test the robustness of your case, as well as allow the meaning and intent of those values and ethics to be exchanged and shared.
8. **Make your final decision and implement it clearly and concisely** ...by communicating it to those involved, so that they have a clear understanding of what's to happen and why.
9. **Take steps to minimise the impacts of your decision** ...where that's possible, while still upholding your decision and how you arrived at it.
10. **Review company policies and processes to avoid a repetition** ...because ethical dilemmas are experiences that most people have something to learn from.

# Practical continued

## Policies for managing ethics

For Chartered Financial Planners, the code of ethics they should focus on first and foremost is the CII's Code of Ethics (April 2014). This is because, as a Chartered firm, you've made a commitment to have in place core values and business practices that align with that code. However, it is quite in order for your firm to adopt its own code of ethics, so long as that code is equivalent to, or exceeds, the CII's Code in terms of both its scope and depth.

It is common for codes of ethics to be supported by a number of other documents. The two policies most commonly associated with a code of ethics are the 'speaking up' policy and the 'business gifts and hospitality' policy.

A speaking up policy is sometimes referred to as a whistleblowing policy and sets out how an employee can internally report any concerns they might have about unethical conduct within the firm, with reassurances about confidentiality and the right person to speak to. Some larger firms give employees the option of talking in confidence to an independent third party specialising in handling such concerns.

A business gifts and hospitality policy sets out the rules under which employees can give or receive gifts or corporate hospitality. It should identify who is covered by the policy, what is forbidden by it and the financial limits at which gifts and hospitality should be reported and to whom. It should set out the business rationale for managing gifts and hospitality, along with the risks to both the firm and individual employee of getting it wrong.

There are also several types of procedures that support codes of ethics. Three are highlighted below:

- Conflicts of interest, in relation to acting in the best interests of the client.
- Due diligence in appointing agents and business partners, in relation to managing risks from bribery.
- Equal opportunities, in relation to treating both employees and clients fairly.

Each of these three types of procedures cover subjects for which there is a considerable amount of regulation and law. Getting them right will obviously be good for your compliance; being good at them will reduce three areas of ethical risk.

## Running an ethics event at your firm

You may have provided your employees with a copy of the CII's Code of Ethics, but you shouldn't stop there. There's a world of difference between those employees reading what's on the piece of paper and then understanding what it means and how to use it. Running a few, short 'ethics events' at your firm will help bridge that difference.

An 'ethics event' is simply a get together of you and your staff, in relatively small groups, to discuss what the Code means and how to apply it to the work at hand. It is an opportunity for you to explain something and for employees to talk about it. That latter point is important, for a great way for people to learn about ethics is to talk about it and exchange thoughts and ideas, while being guided by someone in a facilitator role.

So what might you adopt as the theme for a particular 'ethics event' at your firm? Here are some suggestions:

- Talk about the CII's Code of Ethics, why it's important to your firm's Chartered status and why that Chartered status is important to the firm and those who work for it.
- Talk about the core duties in the Code and encourage staff to discuss what each core duty means to the firm's business, using some open questions and prompting with examples.
- Ask staff to give examples of good ethical behaviour they've come across, either in their careers or in their personal lives, and what that good ethical behaviour resulted in.
- Talk to staff about how your firm would like them to respond to an ethical situation that they're concerned about and go over the support they'd get from the speaking up policy.
- Obtain some case studies from the CII's online ethics course and use them to pose questions about how the situations in them might be handled.
- Pick one of the six short podcasts on ethical issues that's on the CII website and after your staff have listened to it together, encourage a debate about the points it raises. While the podcasts are set in the general insurance sector, some of the topics covered are just as relevant to the financial planning sector.
- Bring your staff together to discuss those compliance references to 'honesty and integrity' and encourage them to talk about how they put them into practice at work.

Remember a few simple guide rules when running an 'ethics event': keep the tone positive, encourage input from everyone, guide the discussion so that it moves forward and give recognition to everyone's input.



# Practical continued

## Local ethics co-ordinators

If your firm operates from a number of office locations, you may want to consider creating some 'ethics co-ordinators'. These are individuals who would perform three main tasks:

- act as an advocate for your firm's position on ethical behaviour;
- act as a local point of contact and source of advice when employees have questions about ethical issues;
- facilitate the running of local ethics events at which employees come together to discuss ethical issues relating to their work.

Larger firms could have ethics co-ordinators who perform a wider range of functions, such as:

- acting as the local 'eyes and ears' for your firm's adherence to the Code;
- keeping a watch out for emerging areas of ethical risk;
- reporting any behaviour thought to be unethical.

Note that the first three bullet points are more values orientated, while the second three bullet points are more compliance orientated. You should consider which is more suitable to your firm and how it manages its people.

The ethics co-ordinator would be a voluntary role and be someone with the skills for the type of role you want them to perform. So a values orientated ethics co-ordinator would be approachable and be good at empathising with people. They should know how the firm and that office works and have the confidence to organise informal meetings. A more compliance orientated ethics co-ordinator would need some knowledge of the regulatory obligations your firm is working under and be confident in dealing with issues.

Once chosen, it is important for the ethics co-ordinator to receive some training. The CII's online ethics course contains much of what they would need, especially if supplemented with the various ethics articles and podcasts available on the CII's website. Your firm could supplement this with training in their relevant policies. Ethics co-ordinators whose role is more compliance orientated would require specialist training.

Support for ethics co-ordinators is important. They should meet together on a number of occasions each year to get to know each other, share ideas and concerns, update their knowledge and identify any training needs. Perhaps the most important form of support would be some form of recognition for their role from your firm's senior management.

## Running a staff survey about ethics

One way to find out how well ethics is embedded into how your firm works is to ask your staff. Ethics surveys can be broad or focused, drawing on one or more of the following four themes:

- The views of staff about how good the firm is at ethics... to gauge if the firm is moving forward or slipping back.
- Their awareness about key policies and procedures... so they know where to look when they need them.
- Their experience of misconduct they've come across... to gauge if your staff need more support to come forward with concerns.
- Their confidence in responding to an ethical misconduct situation... to gauge if they would benefit from more support or training.

The scope you choose for your ethics survey should support the types of decisions that the firm has been making. So if your firm changed its procedures or introduced a new policy earlier in the year, then use the ethics survey to monitor how well those changes have been picked up by staff. Alternatively, if there's been a misconduct incident earlier in the year, then use the ethics survey to explore any concerns that staff have about that incident. If you're not sure which is the best focus for your ethics survey, then consider holding a focus group to obtain feedback on what issues are most important to staff at the moment. An ethics survey that looks at issues that staff feel are most relevant is likely to produce more and better responses.

One option is to integrate some questions about ethics into a wider staff survey, but some issues may be best explored in a stand-alone survey (especially those asking about their experience of misconduct). Another approach to consider is building some questions about ethics into your annual appraisal process.

So what should you bear in mind when deciding how to organise an ethics survey at work? Here are some key things to remember:

- Obtain the support of senior management... so that staff recognise it as something important to the firm.
- Publicise that support and the reasons for undertaking the survey... because an open approach helps avoid any misunderstandings.
- Make sure that staff responses are anonymous and confidential... so that staff tell you what you need to know, rather than what you want to hear.
- Make sure the responses received are evaluated by someone in an objective position... because it helps you take a balanced view of what you're learning from the survey.
- Provide feedback to staff about what the survey found out... because they'll be interested as well.



## Practical continued

- Act on what the survey found out... otherwise you risk staff taking a cynical view of any future surveys.
- Tell staff what you've changed as a result... so they feel that the survey has made some sort of difference.

The UK's Institute of Business Ethics has published a good practice guide for organising and undertaking an ethics survey, called *Surveying Staff on Ethical Matters*. It contains examples of questions that could be used to survey staff on ethical matters. See the Resources page of this self assessment.

# Communicating

## Communicating all this to employees and clients

Many Chartered Financial Planners highlight their Chartered status to employees and clients. What they tend not to do is explain what that Chartered status means for those two key audiences. This section of the self assessment provides you with some guidance on how to go about this.

Let's start by being clear about the reasons for explaining more about your firm's Chartered status. For employees, it's important for them to know what they should be doing to uphold that Chartered status, both in terms of what's in it for them and what the firm gets out of it. This means explaining to them about the values of your firm, about what professionalism means and the role that ethics plays in supporting both of those things.

For clients, it's important that they understand where that Chartered firm status adds value to their relationship with your firm. This will help them recognise where and when it's made a difference and what it could mean to growing that relationship. So if you want your Chartered firm status to be a differentiator, then you need to explain what that difference is.

### Communicating with employees

Here are ten things that you could use to tailor a communiqué to staff about the firm's Chartered status and the role that ethical behaviour plays. You could create a page on your firm's intranet to explain about:

1. The importance of your Chartered firm status to the business.
2. What that Chartered status says about the professionalism with which they should conduct their work.
3. How ethical behaviours are a fundamental part of delivering a professional service to your firm's clients.
4. How ethical behaviours are also important to complying with FCA regulations.
5. The ethical behaviours set out in the CII's Code of Ethics.
6. What each of the core duties in the CII's Code of Ethics mean, supported by examples of good practice drawn from a key part of your business.
7. How it is not just CII members in your staff who should uphold the CII's Code of Ethics, but all your people, working together.
8. Who the Responsible Member is and what their role entails.
9. The importance of setting an ethical example to your colleagues.
10. How they can go about raising any ethical concerns they may have.

### Communicating with clients

Here are seven things that you could use to tailor a message to clients about the firm's Chartered status and the professionalism and ethical behaviours that underlie it. One way of doing this could be to create a page of your firm's website (under the 'about us' section) with key words like chartered or professionalism in its title. In that page, you could explain about:

1. The Chartered firm status being a mark of distinction in the financial planning sector.
2. It being awarded following an independent assessment by the Chartered Insurance Institute.
3. It signifying that the firm is committed to upholding the highest standards of professional conduct.
4. How, as part of that commitment to professionalism, the firm upholds a code of ethics that sets out the standards of behaviour required of people working for your firm.
5. How they can find out about the code of ethics at... Update to: [www.cii.co.uk/media/5197528/c14j\\_9010\\_cii\\_code\\_of\\_ethics\\_web.pdf](http://www.cii.co.uk/media/5197528/c14j_9010_cii_code_of_ethics_web.pdf)
6. The difference that the Chartered firm status means to the service you provide to clients.
7. How the client may like to find out more about the Chartered firm status and the code of ethics by contacting the Responsible Member.

**Remember:** if you want your Chartered firm status to be a differentiator, you need to explain what that difference is.

# Resources for ethics

There is a wide range of information on ethics on the internet. Here are some links that you might find useful:

## The Chartered Insurance Institute

- Its main page on ethics, including the Code of Ethics and an online ethics course is at [www.cii.co.uk/code](http://www.cii.co.uk/code)
- There's a set of six podcasts about ethical issues (albeit in relation to general insurance) at [www.cii.co.uk/23061](http://www.cii.co.uk/23061)

## Financial Conduct Authority

- The role of ethical standards of behaviour in the Principles for Businesses can be seen at <https://www.handbook.fca.org.uk/handbook/PRIN/2/1.html>
- And in the approved persons regime at <https://www.handbook.fca.org.uk/handbook/APER/>

## Institute of Business Ethics

The IBE is a UK charity that undertakes research and publishes good practice in business ethics. It has published a wide range of papers on business ethics issues. These range from in-depth reports such as Making Business Ethics Work and Employee Views of Ethics at Work, to good practice guides such as Surveying Staff on Ethical Matters. Their website is [www.ibe.org.uk](http://www.ibe.org.uk)

## Blogs on Business Ethics

- Chris MacDonald is a Canadian professor who teaches business ethics and is another of the most influential people in business ethics. His blog at [www.businessethicsblog.com](http://www.businessethicsblog.com) discusses topical business and social issues from an ethical standpoint.
- The author of this self assessment, Duncan Minty, posts thoughts and comments on the ethical dimension of current financial planning issues at [www.ethicsandinsurance.info](http://www.ethicsandinsurance.info)

## Speaking up/Whistleblowing

Public Concern at Work is a UK charity that promotes best practice in the handling of whistleblowing cases. Their website at [www.pcaw.co.uk](http://www.pcaw.co.uk) has a lot of useful resource in it for both individuals and organisations, as well as details of the UK's Public Interest Disclosure Act.

## Duncan Minty

The author of this self assessment can be contacted at [www.duncanminty.co.uk](http://www.duncanminty.co.uk)

Please note that neither the CII nor the author is responsible for the content of external internet sites.