



2017

INTEGRATED REPORT

Scope and boundary

This report covers the activities and performance of The Ethics Institute (TEI) for the financial year from April 2016 to March 2017. Commentary is also provided on the trajectory of the organisation to date, the current operating context informing its material risks and opportunities, and its prospects for the medium-and long-term future. In line with leading integrated reporting practice, the six capitals of value creation described in the International Integrated Reporting Council's <IR> Framework are addressed. Specific attention is paid to TEI's strategic inputs and outputs, namely human capital, intellectual capital, social and relationship capital, and financial capital. These capitals feature explicitly in the impact model on page 4 and implicitly everywhere else.

Materiality

In compiling this report, every effort was made to provide readers with an account of the organisation that is at once comprehensive and accessible. To achieve this balance, the board selected material from board reports and minutes, including the annual strategic review, as well as from the outputs of strategy sessions among TEI's subject matter experts. At both levels, internal information from monthly reports and client feedback is considered, along with relevant third-party research publications. This year, these included, among others, Risk in Review: Going the distance published by PWC in April 2016, the Global Competitiveness Report for 2015-2016 published by the World Economic Forum and the 2016 Risk Report published by the Institute of Risk Management South Africa.

Thus, while the information in this report is high level, it is a transparent representation of the most material matters that inform the organisation's decision-making process.

Reliability

All financial information has been audited by an external service provider, whereas non-financial reported indicators are the product of the organisation's internal system of controls. The board of TEI has reviewed and given input to the contents of this document, which was signed off by the chairman on behalf of the board, on 4 July 2017.

Contact

We invite stakeholders to contact us with feedback on the integrated report, or with inquiries related to our offering. Everyone is welcome to join our online community, where we share relevant and interesting content via social media.

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The Ethics Institute



The Ethics Institute



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It is with pride that we present you with The Ethics Institute's annual Integrated Report, this time for the period April 2016 to March 2017. It provides a comprehensive view, not only of the Institute's activities and achievements over the indicated period, but also of the organisation's self-understanding and strategic priorities. The overall impression is that of a non-governmental organisation that has not only found its strategic niche within society (in South Africa, but also internationally), but that is exerting a significant influence on the cultivation of an effective moral consciousness and accountability in those spheres of society with which it interacts.



We are, currently, disoriented by the extremities of corruption, inefficiency and the failure to deliver the societal goods that it takes responsibility for from the side of government in South Africa and many other African countries. At the same time, we are dumbfounded by the irrationality, corruption and self-centredness of many Western societies (particularly in the aftermath of recent elections), as well as by the vehemence of the use of indiscriminate terror and violence in many parts of the world. As history progresses in our time, we are unfortunately not seeing a parallel growth of moral consciousness or a genuine programme of infusing our environment at large with the kind of values and norms that, of necessity, underlie a responsible society.

It is this reality that inspired the founders of TEI (or, until the past year, EthicsSA) to, in 2000, create an organisation that will, through the well-informed development, propagation and inculcation of sound moral values, attempt to make a difference in a society reminiscent of moral bankruptcy. The Ethics Institute utilises an impact model for the organisation's value creation process. This model has a variety of types of capital as input which TEI uses and transforms in pursuit of its vision of "Building and ethically responsible society".

This report attests to the way in which, over the reporting period, these goals have been pursued, and sometimes remarkably achieved. It is my privilege to congratulate the CEO, Prof Deon Rossouw, and his entire team, on these notable achievements, as well the strategic thought leadership that gave rise to both these projects and outcomes.

I would also like to sincerely thank our entire Board of Directors, not only for their leadership in professionally governing the organisation, but for their profound interest in the topic of ethics and its realisation in society. They are an inspiration to the entire organisation.

For everyone, there is a time to come and a time to go. I have been involved with this organisation since its inception, and had the privilege of chairing the Board since 2003. It is therefore more than appropriate to step aside and welcome new leadership and ideas. I sincerely thank all board members for their help and support over the years. The Board has appointed Mr Mohamed Adam to take over as chairman from 1 April 2017. Our best wishes accompany him for the task.



Prof AA van Niekerk
Chairman of the Board

"As history progresses in our time, we are unfortunately not seeing a parallel growth of moral consciousness or a genuine programme of infusing our environment at large with the kind of values and norms that, of necessity, underlie a responsible society".

The Ethics Institute is an independent public institute producing original thought leadership and offering a range of ethics-related services and products. The organisation is governed by a board of directors consisting of prominent persons committed to promoting ethical responsibility.

TEI began operating in 2000, with an initial focus on bio-medical ethics. Over time, our focus shifted to organisational ethics and three core themes thereof: private sector ethics (business ethics), public sector ethics and professional ethics. Our subject matter experts have many years of experience in these areas – as both academics and practitioners – and our support staff ensure that internal and external operations run smoothly. Together, this team is The Ethics Institute.

Ultimately, TEI's organisational identity is inseparable from our vision, mission and core convictions. These statements, provided below, are the foundation of our culture, the scaffolding of our strategy, and the invisible ties that bind us together.

Vision

Building an ethically responsible society.

Mission

To be a globally recognised thought leader that provides comprehensive ethics solutions to organisations.

Our convictions

Everything we do is informed by our core convictions:

We make a meaningful difference

Ethics is the cornerstone of safe, just and prosperous societies. We stimulate and advance awareness of ethics, and build ethics competence, in South African and other countries. We are at the forefront of our field, and have a reputation for making a meaningful difference within our sphere of influence.

We build trusting relations

Our wealth is the trust that members and clients place in us. Our expertise and responsiveness to their needs make us valued and respected partners. At The Ethics Institute, we do work we can be proud of, in a way we can be proud of.

We enjoy working together

We are passionate about our work. We believe that a collegial spirit is key to our success. We treasure personal freedom of mind, but also care about, and support one another. Our interaction creates positive energy and ignites creativity.

In short: **At The Ethics Institute, we find meaning and joy in what we do.**

Below is a conceptual representation of The Ethics Institute's value creation process. Being a public benefit institute, we define the purpose of our business in terms of its impact on the societies in which we operate – therefore, we prefer the term “impact model” to “business model”. This model provides the reader with a broad sense of The Ethics Institute's inputs, activities, outputs and outcomes, as guided by the <IR> Framework.

Inputs



Activities

The Ethics Institute is an independent public benefit institute producing original thought leadership and offering a range of ethics-related services and products. We are a non-profit organisation governed by a board of directors comprising eight independent, non-executive directors and two executive directors.



Strategic outputs

- **HUMAN CAPITAL**
Professional delivery of services
Expertise in organisational ethics
- **INTELLECTUAL CAPITAL**
Leading practice
Methodological and academic rigour
Innovation
- **SOCIAL AND RELATIONSHIP CAPITAL**
Strong network
Globally-astute approach
- **FINANCIAL CAPITAL**
Operational sustainability
Cost efficiency

Outcomes

What we strive to achieve through our activities

RAISING AWARENESS

Through thought leadership activities, including freely-available research publications, and contributions to public and academic discourse.

BUILDING CAPACITY

Through training and certification activities.

ASSESSING ACHIEVEMENT

Through statistically-robust quantitative and qualitative measurement instruments.

IMPROVING PERFORMANCE

Through advisory activities and the distribution of ethics management products.

Target organisations

We believe that ethical development mostly occurs in communal settings, and therefore focus our work on organisations in:



Geographical footprint and network

Our activities over the past year were focused primarily in South Africa, Mozambique and Angola. In addition, we executed a project for a client that involved 23 countries across three continents. We also benefit from strategic partnerships with the Institute of Business Ethics (IBE) in London, UK, and globethics.net in Geneva, Switzerland.



Mission

To be a globally recognised thought leader that provides comprehensive ethics solutions to organisations.

We pursue our vision through five core activities, as demonstrated in the pentagon below:



Thought leadership

We generate original research that focuses on the capacity of organisations and professions to deal with the ethics challenges and opportunities they encounter. All findings are made publicly available as a means of creating ethical awareness and stimulating debate on ethical issues. Wherever possible, we participate in policy-making and standard-setting processes related to ethics in the private and public sectors, as well as in professional associations. Our thought leadership outputs include:

- Research reports
- Handbooks for ethics practitioners
- Conference presentations
- Academic contributions (lectures, articles and books)
- Media releases



Ethics training

Our training programmes are designed to capacitate organisations in effectively governing and managing ethics. We provide a wide variety of training programmes to private sector businesses, organisations in the public service and professional associations. These include:



- The Ethics Officer Certification Programme (EOCP) is our flagship training programme, and a first for the African continent. Participants who successfully complete the five-day workshop, and the formal practical assignment that follows, receive accreditation from the University of Stellenbosch Business School: Executive Development as Ethics Officers. The EOCP is offered in an open format where individuals from various organisations attend, as well as an in-house format attended by personnel from the client organisation.
- Other training programmes are provided for all levels in an organisation, from employees to the board, regarding all aspects of managing and governing ethics. We also regularly provide “train the trainer” courses for large organisations who are interested in developing their in-house ethics training capacity.
- In partnership with the relevant professional associations, we are able to provide profession-specific training. This includes programmes for internal auditors, accountants, financial planners and healthcare professionals.

Ethics assessments

Organisations can have their ethics performance formally assessed, for the purposes of gauging their current performance and developing a strategy going forward. Depending on the ethics management maturity and intention of the organisation, the following methodologically-robust assessments and audits are available:

- Ethics Risk Assessment (ERA)
- Ethical Culture Assessment (ECA)
- Ethics Management Maturity Assessment (EMMA)
- Minimum Anti-Corruption Capacity (MACC) audit
- Internal audit assessment of ethics
- Ethics hotline service provider certification



Advisory services

We provide advice to organisations on how to increase the effectiveness of their ethics interventions, in the form of one-on-one and/or group sessions for all organisational levels. While all advisory services are tailored to the specific requirements of the organisation, they broadly cover the following areas:

- Ethical leadership advisory
- Governance of ethics advisory
- Ethics management advisory
- Internal audit of, and external reporting on, ethics
- Ethical culture change interventions
- Code of ethics review and development



Product development

This year, we have added a fifth core activity, “Product development”, to capture the existing innovations in this area, and to commit to bolstering our physical and digital product offering in the short and medium term. So far, the product portfolio comprises two sets of training videos:

- Public sector ethics dilemmas videos: An 11-part series written by TEI experts and performed by professional actors, to teach ethics concepts through simulated scenarios.
- “Business Ethics – Everyone’s Responsibility” videos: A 16-part animated series written and directed by TEI experts to teach core ethics concepts visually and creatively.

Clients are able to purchase these videos for use in their own organisations' ethics training and awareness campaigns.



Overview

The Ethics Institute is governed by a board of directors who serve on a pro bono basis and are compensated only for direct expenses incurred in the performance of their duties. The Board provides strategic direction to TEI and fulfils an oversight function regarding resources, staff and activities. The Board is also responsible for ensuring that TEI complies with all laws and regulations applicable to non-profit organisations in South Africa. The Board approves annual budgets, monitoring controls and financial performance, as well as the annual financial statements. The external auditors are appointed by the Board, and the Board annually ensures their independence. The Board relies on the Fourth King Code on Corporate Governance as a guideline for leading governance practice.

Board of Directors

The Board comprises eight independent non-executive directors and two executive directors. A high-level description of each member's background is provided in the table below, along with their meeting attendance record for the year.

	4 July 2016	20 October 2016	30 March 2017
<p>Mr Mohamed Adam <i>Independent Non-Executive Director</i></p> <p>Mohamed is a qualified lawyer who attained his LLM in International Trade Law from the University of Essex in the UK. He holds the position General Counsel and Head of Regulatory Affairs at ArcelorMittal South Africa. Previously, he held various professional and management positions at Eskom. Mohamed is a member of the King Committee on Corporate Governance and joined the board of TEI in 2011.</p>	P	P	A
<p>Mr Colin Beggs <i>Independent Non-Executive Director, member of the Human Resources Committee</i></p> <p>Colin is a Chartered Accountant and is a former senior partner and Chief Executive Officer of PWC South Africa. He served as chairman of the South African Institute of Chartered Accountants and is currently an independent director at Barclays Africa Group Ltd and Sasol Ltd. He joined the board of TEI in 2000.</p>	A	P	A
<p>Prof Willem Landman <i>Independent Non-Executive Director</i></p> <p>Willem holds degrees from the Universities of Stellenbosch, Oxford (as a Rhodes Scholar) and UNISA in philosophy, political philosophy, theology and law. He was Professor and Chair of the Department of Philosophy, University of the Western Cape, before serving as Professor of Medical Humanities in the Brody School of Medicine at the University of North Carolina, USA. Willem founded The Ethics Institute (formerly known as EthicsSA) in 2000 and served as the Chief Executive Officer until 2010. He joined the board of TEI in 2000.</p>	P	P	P
<p>Ms Berénice Lue Marais <i>Independent Non-Executive Director, member of the Human Resources Committee</i></p> <p>Berénice is Executive: Innovation Enabling and Support at the Technology Innovation Agency. She is a director of the South African National Accreditation System, and has served on the boards of directors of HOPE Worldwide, African Thought, and the Sports Information and Science Agency. She joined the board of TEI in 2006.</p>	A	P	P
<p>Ms Imogen Mkhize <i>Independent Non-Executive Director</i></p> <p>Imogen holds a BSc in Information Systems and an MBA from Harvard Business School. She has held numerous directorships and currently chairs the Risk and Safety, Health and Environment board committee of Sasol Ltd. Imogen is the Chairman of Rhodes Business School and has been recognised as a Chartered Director by the Institute of Directors Southern Africa (IoDSA). She joined the board of TEI in 2013.</p>	P	P	P

<p>Prof Piet Naudé <i>Independent Non-Executive Director</i></p> <p>Piet studied Philosophy to Master's level, and completed his PhD in Systematic Theology. He serves as a Trustee of The Wilderness Foundation and is a Non-Executive Director of USB-ED, and is currently the Director of University of Stellenbosch Business School. Piet joined the board of TEI in 2011.</p>	A	P	P
<p>Prof Wiseman Nkuhlu <i>Independent Non-Executive Director</i></p> <p>Wiseman was appointed a Professor of Accounting at the University of Transkei and has since been awarded honorary doctorates by several other universities. He served as Chairman of the Development Bank of Southern Africa during the country's transition to democracy, and was appointed as an Economic Advisor to President Thabo Mbeki from 2000 to 2004. Wiseman is currently the Chancellor of the University of Pretoria and has been recognised as a Chartered Director by the IoDSA. He joined the board of TEI in 2011.</p>	P	P	A
<p>Prof Deon Rossouw <i>CEO and Executive Director, member of the Human Resources Committee</i></p> <p>Deon holds a doctoral degree in Philosophy and has served as the head of the philosophy departments at both Rand Afrikaans University and the University of Pretoria. He joined TEI in 2010 and has been the Chief Executive Officer since 2011. He is currently Extraordinary Professor in Philosophy at the University of Stellenbosch, and has been recognised as a Chartered Director by the IoDSA.</p>	P	P	P
<p>Prof Anton van Niekerk <i>Independent Non-Executive Chairman, Chairman of the Human Resources Committee</i></p> <p>Anton is a Distinguished Professor of Philosophy and is the Director of Stellenbosch University's Centre for Applied Ethics, where he also serves as the head of the Bioethics Unit. Anton joined the board of TEI in 2000 and served as Chairman from 2003 to March 2017.</p>	P	A	P
<p>Dr Leon van Vuuren <i>Executive Director</i></p> <p>Leon holds a doctoral degree in Industrial Psychology. He was a Professor in the Department of Industrial Psychology and People Management at the University of Johannesburg for 26 years, where he taught Industrial Psychology and Professional Ethics. He joined TEI in 2014 and is Executive Director: Business and Professional Ethics. Leon was appointed to the board of TEI during 2016.</p>	P	P	P

P: present
A: absent

Human Resources Committee

The Human Resources Committee is a designated committee of the Board and is comprised of three non-executive directors and the CEO. The committee is responsible for nominations, succession planning, remuneration and human resources. Remuneration of the executive directors comprises fixed and variable income, encouraging high performance for the benefit of TEI. The fixed income is determined relative to the role and responsibilities, and taking into account our non-profit positioning. Variable income is determined on actual performance relative to a balanced scorecard, which sets out key objectives to be achieved in executing TEI's strategic plan. The CEO does not participate in decisions on his own remuneration. The committee held two meetings during the reporting period.

Material governance items during the year

- The Board and Human Resources Committee were evaluated and deemed effective.
- A strategic review was undertaken, leading to the confirmation of a strategic path to 2020.
- New external auditors were appointed during the year.
- Dr Leon van Vuuren joined the Board as Executive Director on 4 July 2016.
- Ms Dantia Richards was appointed as Company Secretary on 20 October 2016.
- Prof Anton van Niekerk resigned from his roles as Chairman of the Board and Chairman of the Human Resources Committee on 30 March 2017. He remains a member of the Board.
- Mr Mohamed Adam was appointed to the chairmanship of both the Board and the Human Resources Committee, and assumed his duties from 1 April 2017.

The period under review was the first in which we operated under our new corporate identity as The Ethics Institute (TEI). The name-change was introduced on 30 May 2016 at our 6th Annual Ethics Conference, when we stopped operating under the name of The Ethics Institute of South Africa (EthicsSA). The rationale for this change was to reflect that our operations are no longer geographically limited to South Africa. At that stage, we had already done work in 16 other African countries, as well as in several other countries beyond the African continent. Our new name also aligns with our new strategic positioning, in which we deliberately set ourselves the strategic objective of being a globally recognised thought leader in the field of organisational ethics. The name-change was very favourably received by our members and clients.



Operating context

South Africa is going through a period in which the economy under-performs, and where our investment rating is under constant pressure. The rate of unemployment in the country stubbornly remains unacceptably high, which contributes to social unrest and crime. In tough economic times, organisations tend to cut their expenditure on what they perceive as so-called “soft” issues, which might include ethics training and other ethics-related initiatives.

The reporting period was also marked by serious allegations of state capture, and revelations of large-scale corruption in state institutions and state-owned enterprises. Several private sector enterprises were implicated as colluders and instigators in this large-scale corruption. The imminent danger is that such corrupt practices can become accepted as normal, and that people can become cynical about the possibility of running organisations in an ethical manner.

The growth in prominence of organisational ethics over the last two decades in South Africa, but also globally, was not matched with an equal growth in available subject matter expertise in this field. The dearth of available organisational ethics experts poses a challenge to us in attracting and retaining the services of the few subject matter experts in this field. At the same time, however, the well-recognised expertise of our staff puts us in a position where there is high demand for our thought leadership, training, advisory and assessment services.

We also find ourselves in a global context where there is an ever-increasing need for electronic solutions – also in the field of organisational ethics. As we increasingly rely on electronic infrastructure, we open ourselves to the threat of cybercrime, which is one of the major global risks facing most industries. At the same time, electronic information and communication technology enable us to innovate solutions in the field of organisational ethics, and also assist us in improving our internal operational and cost efficiency.

Over the reporting period, important corporate governance developments opened up significant new opportunities in the field of organisational ethics. The publication of the Fourth King Report on Corporate Governance for South Africa (King IV) gave even more prominence to ethical leadership and organisational ethics than its three predecessor reports. In addition, King IV recommends that the mandate of Social and Ethics Committees should be expanded to also include oversight of organisational ethics. Social and Ethics Committees were first introduced as a statutory board committee in the Companies Act (2008), which became effective in 2012. The fact that these committees – despite their name – were not given a mandate to oversee organisational ethics, was a serious oversight that King IV addresses. We have already seen a marked increase in demand for ethics training, services, and assessments during the reporting period that can be directly attributed to the release of the King IV report.

Performance overview

The ever-increasing prominence of organisational ethics, both locally and globally, provided us with a fertile environment for generating thought leadership on organisational ethics. The Ethics Institute was invited to serve on the King Committee for Corporate Governance in South Africa, and our ethics subject matter experts also participated in various consultation sessions and processes, through which we contributed to the ethics aspects of King IV. We also participated in various media engagements, specifically around the prevention of corruption, and ethical leadership in organisations. Especially, our fourth South African Business Ethics Survey, and our second South African Citizens' Bribery Survey, attracted ample media attention. There was also an addition to our Ethics Handbook Series, as we launched the third title in this series, the Ethics Risk Handbook.

Our flagship training programme, the Ethics Officer Certification Programme, remained popular and much in demand. As of the end of the reporting period, we have offered the programme more than 80 times, trained more than 1 300 persons, and certified more than 700 persons as Certified Ethics Officers, since the programme's inception in 2004.

Our advisory and assessment services also followed the overall trend of greater emphasis on ethics management in organisations, and demand for these services remained strong over the reporting period. It is encouraging to see that, specifically, the demand for organisational ethics risk assessments increased significantly, as these assessments enable organisations to design ethics strategies and policies that address their ethics risk profile. The credibility of our ethics risk assessment methodology was underlined by the fact that we conducted such assessments in more than 20 countries globally over the reporting period.

We ventured into the area of product development over the reporting period, and invested in the development of a 16-part training video on organisational ethics. We also invested in the development of our own electronic infrastructure to improve our ability to produce semi-automated assessment reports, as well as to deliver online training to our clients.

The investments that we made in new product development, improved electronic infrastructure, and also in the extension and retention of our staff, had an impact on our financial performance. Although there was a slight decrease in our financial capital compared to the previous reporting period, we feel confident that we increased our intellectual, human, and manufactured capital. Furthermore, we believe that the effort that we invested in ensuring client satisfaction, as well as our investment into our new corporate identity, grew our social and relationship capital over the reporting period.

Going forward

The increases that we have witnessed in our intellectual, human, manufactured, and social capital place us in a good position to maintain and expand our activities. We will keep investing in thought leadership in the field of organisational ethics to ensure that we deliver on our promise of being a globally recognised thought leader in the provision of ethics services to organisations. We will maintain and expand our growing network of national and international partnerships, as we believe that collaboration with thought leaders in our field is key to our success. This will enable us to leverage even more off the unique opportunities offered to us by governance and legal reforms in our region.

I would like to thank our very committed and competent board for their strategic guidance and meticulous oversight of our integrated performance. The performance reflected in this report would not have been possible without our dedicated staff who find meaning and joy in the work that we do.



Prof Deon Rossouw
Chief Executive Officer

“Over the reporting period, important corporate governance developments opened up significant new opportunities in the field of organisational ethics”.

The graphic below echoes the CEO's narrative and presents a summary of TEI's operating environment, including the degree to which it can influence and respond to these dynamics at each level. The environment shapes the risks and opportunities of the organisation which, in turn, inform the strategy.



Ability to influence: limited

The South African economy is far from realising its growth potential, owing largely to policy uncertainty and unemployment levels among the highest in the world. The cost of living and of doing business are both on the rise.

High levels of institutionalised corruption have been exposed in the region. Locally, the judiciary, non-governmental organisations and independent media play key roles in holding the state and private sector organisations to account.

Ability to influence: moderate

On the one hand, organisations under financial pressure in a low-growth environment are likely to reduce spend on non-core activities. On the other, the status of ethics management as an organisational priority has been highlighted in prominent governance standards, including King IV and the Integrity Management Framework.

The pace of technological development continues to shape individuals' and organisations' expectations regarding information accessibility, digital services and information security.

Ability to influence: significant

In order to sustain the quality of our existing offering, while also pursuing a strategy of innovation, we need the right skills mix and sufficient capacity. Losing scarce expertise, and the difficulty of recruiting new staff from the available talent pool, pose a danger.

At the same time, economic down-turn and rising operational costs compel us to introduce new income streams and to access new markets.

The table below is extracted and adapted from the organisation's risk register at year-end. Only those risks with a high likelihood and high impact are included here. The low/medium/high ratings of likelihood and impact for each risk area are updated on a rolling basis and are formally reviewed at each board meeting.

Risk area	Mitigation	Opportunities
<p>Economic slow-down or recession</p>	<ul style="list-style-type: none"> Expanding service and product offering Investing more in retention of existing clients Growing domestic client base Growing international client base 	<ul style="list-style-type: none"> Think creatively about new products, services and markets Leverage our regional and global network for new project opportunities
<p>Legislation, regulation and codes</p>	<ul style="list-style-type: none"> Participating in, or influencing, standard-setting processes Influencing public opinion on such developments 	<ul style="list-style-type: none"> Participate in shaping new legislation, regulation and codes Make use of opportunities created by greater emphasis on ethics

 <p>Skills shortage</p>	<ul style="list-style-type: none"> • Creating more opportunities for staff development • Introducing a bursary scheme to improve qualifications of staff • Contributing to teaching and research on organisational ethics in Higher Education 	<ul style="list-style-type: none"> • Improve staff retention through bursary scheme • Enhance TEI's reputation as experts in organisational ethics • Continue to prioritise exposure of our experts to global best practice
 <p>Cyber security</p>	<ul style="list-style-type: none"> • Taking measures to improve cyber security • Migrating physical servers to the Cloud 	<ul style="list-style-type: none"> • Stable and safe IT infrastructure and systems • Offer clients peace of mind that sensitive information is well protected
 <p>Financial sustainability</p>	<ul style="list-style-type: none"> • Expanding the TEI product range (in addition to existing service range) • Accessing project and grant funding to ensure stable income streams 	<ul style="list-style-type: none"> • Improve to develop new income streams • Improve financial controls and budget/cash flow management
 <p>Retaining talented staff</p>	<ul style="list-style-type: none"> • Making TEI a sought-after institution to work for • Ensuring that staff find meaning and joy in their work • Creating learning opportunities for staff and making TEI a learning organisation 	<ul style="list-style-type: none"> • Create a culture and work atmosphere that attracts talented people who appreciate a positive work environment • An enlarged and diverse talent pool

Strategic focus areas

Each of the focus areas has specific performance targets that are set annually to ensure that we adapt to our changing risk and opportunity profile, while staying true to our mission of being a globally recognised thought leader that provides comprehensive ethics solutions to organisations. The strategic focus areas below were developed during 2016, with a five-year horizon to 2020.

Attraction, development and satisfaction of staff: We will focus on recruiting the right mix of talented staff, but also focus on their continued development. Furthermore, we will continue cultivating an organisational culture that ensures our interaction creates positive energy and ignites creativity.

Opportunities, exposure and networking: We will create opportunities to interact and network with recognised global leaders in organisational ethics. Furthermore, we will enter into organic networking relationships with our peers and ethics institutions locally and around the world in order to build mutually beneficial relationships.

Innovation: We will focus on improving existing services, while also extending our offering towards providing a comprehensive one-stop service to members and clients. A new area of focus is the development of ethics management products that can complement and strengthen our ethics services offering. We continue to explore and implement process innovation to improve our ability to deliver professional services.

Client satisfaction: We will focus on professionalism and excellence in the way we interact with and serve members and clients. This also involves regularly assessing the levels of satisfaction of our members and clients, and adjusting, as necessary, to their expectations.

Financial sustainability: We will operate as a combination of a public institute and a social enterprise with the latter financing the former. Having sound financial reserves is key to our organisational sustainability, and we will focus on growing our income through services, products, memberships and project funding.

Rationale

TEI's conceptual approach to organisational ethics is grounded in the conviction that ethical development mostly occurs in communal settings through social practices. In our business model, the “communities” on whose social practices we focus, are primarily three types of organisations:



Organisations in the private sector operate in a highly competitive, tightly regulated environment. And, while ethics management has been brought to the fore in successive corporate governance frameworks – most notably, King IV – our research in the South African Business Ethics Survey of 2016 indicates that employees' levels of ethics awareness is decreasing. Our findings also indicate that incidences of misconduct are on the rise, while people's inclination to report such incidences is on the decline. These are not encouraging statistics. Private sector organisations thus require support in various forms, from assessments to advisory to training. TEI provides such services to large corporates, multinationals and SMMEs (small, micro and medium-sized enterprises). Furthermore, the majority of our organisational members are in the private sector.

Organisations in the public sector face challenges that are peculiar to the state and parastatal environment. Our research findings in this area imply, for example, that political interference and inappropriate appointments are sources of ethics risk. Organs of government are required to adhere to the Public Sector Integrity Management Framework, developed by the Department of Public Service and Administration in 2011. In the effort to achieve the standards outlined in the Framework, departments in national, provincial and municipal government require support. TEI's work in the public sector has deep roots in our own mission and vision, and we remain committed to sharing our expertise and building capacity in the public sector. In our view, the ethically responsible society we want to help build must have an ethically responsible public service.

Professional associations help to professionalise different types of work, by providing support and setting standards of professional and ethical behaviour for their members. South Africa is home to a number of well-established professional bodies, some of which have been around for decades. TEI has partnerships with many of these organisations, serving on their governance structures, and collaborating on various projects. These organisations include, among others, the South African Institute of Chartered Accountants (SAICA), the South African Institute of Professional Accountants (SAIPA), the Institute of Internal Auditors of South Africa (IIASA), the Association of Certified Fraud Examiners (ACFE), the South African Board for People Practices (SABPP), the Institute of Commercial Forensic Practitioners (ICFP), the Institute of Risk Management South Africa (IRMSA), the Financial Planning Institute (FPI) and the Institute of Directors in Southern Africa (IoDSA).

TEI has recently played a supporting role in establishing the Ethics Practitioner's Association (EPA), an association for professionals in the field of organisational ethics, due to be launched in 2017.

In short: Through all our activities, we endeavour to have a positive impact on these organisations' ethical performance, by bringing the ethics conversation into their governance and operating structures. In this way, we strive to build an ethically responsible society.

Performance for the year

High-level indicators of TEI's performance in its various activities over the past year are provided here. Comparative quantitative indicators for the prior year are included wherever possible.

Thought leadership

During the year, TEI undertook several research projects. These included the triennial South African Business Ethics Survey (SABES), and the annual South African Citizens' Bribery Survey. We also completed and published the third instalment in our Handbook Series, the Ethics Risk Handbook. These are all available for free download, along with many others, on the ever-growing resource library on the TEI website.



Other material thought leadership activities for the year:

Published 17 different press releases in various online and print platforms, commenting on major political and socio-economic developments in South Africa, and sharing results from research activities	Media exposure on over 141 different platforms, including radio, TV, print and online media, while followers on social media (LinkedIn, Twitter and Facebook) grew steadily
TEI's 6 th Annual Ethics Conference, which was attended by 265 delegates, followed the broad theme of "A Time for Courageous Ethical Leadership"; key presentations were delivered by the Public Protector and the Auditor-General	Served on the editorial boards of three academic journals, namely <i>African Journal of Business Ethics</i> , <i>Journal of Business Ethics</i> , and <i>Turkish Journal of Business Ethics</i>
Participated at the World Forum for Responsible Economy in Lille, France	Collaborated with the Institute for Business Ethics (IBE) in London on the Ethics and Compliance Handbook, due for release in May 2017
Served academic roles at various universities, including University of Stellenbosch, University of Pretoria, University of Johannesburg, University of Stellenbosch Business School, University of the Western Cape, University of South Africa (UNISA) and Management Centre Innsbruck (Austria)	Served on the King Committee, and contributed to the ethics content elements of the Fourth King Code on Corporate Governance for South Africa, released in November 2016

Ethics training

11

Our flagship programme, the Ethics Officer Certification Programme (EOCP), was delivered 11 times (2016: 12 times). These include programmes that are open to the public, as well as in-house programmes delivered to specific client organisations.

132

The EOCP programme – including the practicum assignment – was successfully completed by 132 people (2016: 100 people), who have therefore been officially certified as Ethics Officers through the University of Stellenbosch Business School: Executive Development.

720

Since the inception of the EOCP programme in 2004, 720 persons have been certified as Ethics Officers.

53

Besides the EOCP, other in-house training programmes were presented to 53 organisations (2016: 47 organisations).

Ethics assessments

37

Assessments were undertaken in 37 organisations (2016: 32 organisations). These included Ethics Risk Assessments (ERAs), Ethics Management Maturity Assessments (EMMAs), Ethical Culture Assessments (ECAs), safe reporting service provider certification and code of ethics/conduct assessments.

9

As part of the Siemens Integrity Initiative, nine Gauteng Municipalities have already completed, or are in the progress of completing, various ethics interventions, including ethics assessments (ERAs and EMMAs).

Advisory services

25

Advisory services – which range from matters relating to leadership, governance structures, ethics management, internal audit, external reporting, ethical culture and codes of ethics – were provided to 25 organisations (2016: 27 organisations).

Product development

16

TEI experts developed a 16-part ethics training videos series, “Business Ethics: Everyone's Responsibility”. The material was first created for a major private sector client and then adapted to be more generic and usable in other organisations. The topics covered include, among others, “The relationship between ethics and values”, “Ethics and the law” and “My role in ethics”. The videos were officially launched at the Annual Ethics Conference in May 2017.



Everyone's Responsibility

Broadly, there are two roles that internal staff members fulfil: subject matter experts and support staff. In addition, we have a number of fixed-term employees assigned to specific large projects, as well as a network of expert associates who function as auxiliary subject matter experts. We also always employ one or two interns who receive on-the-job training.

Below is an overview of permanent staff during the year.

Subject matter experts

Prof Deon Rossouw
Chief Executive Officer
Doctor of Philosophy
(University of Stellenbosch)
Joined TEI in 2010

Kris Dobie
Manager: Organisational Ethics Development
Master of Workplace Ethics
(University of Pretoria)
Joined TEI in 2007

Dr Leon van Vuuren
Executive Director: Business and Professional Ethics
Doctor of Industrial Psychology
(University of Johannesburg)
Joined TEI in 2014

Dr Paul Vorster
Research Specialist
Doctor of Industrial Psychology
(University of Johannesburg)
Joined TEI in 2016

Liezl Groenewald
Manager: Organisational Ethics Development
Master of Applied Ethics for Professionals (University of Witwatersrand)
Ethics Officer 008
Joined TEI in 2008

Thobile Madonsela
Associate subject matter expert
Honours in Public Management and Governance (University of Johannesburg)
Ethics Officer 631
Joined TEI in 2016

Support staff

Dantia Richards
Office Manager
Company Secretary
Ethics Officer 277
Joined TEI in 2012

Samantha Kalisa
Communication and Membership Manager
BA: Communications
Ethics Officer 714
Joined TEI in 2016

Remofiloe Kobue
Administrative Assistant
Joined TEI in 2016

Celia Lourens
Project Manager
BCom Honours: Business Management
Ethics Officer 568
Joined TEI in 2015

Kgothatso Tshabalala
Training and Events Coordinator
Joined TEI in 2016

Dinah Mafahlane
Housekeeper
Joined TEI in 2012

Letitia October
Accountant
Bcompt: Accounting Science
Ethics Officer 630
Joined TEI in 2015

Rebecca Motale
Administrative Assistant
Joined TEI in 2005

Neo Kadiege
Project Administrator
Joined TEI in 2016

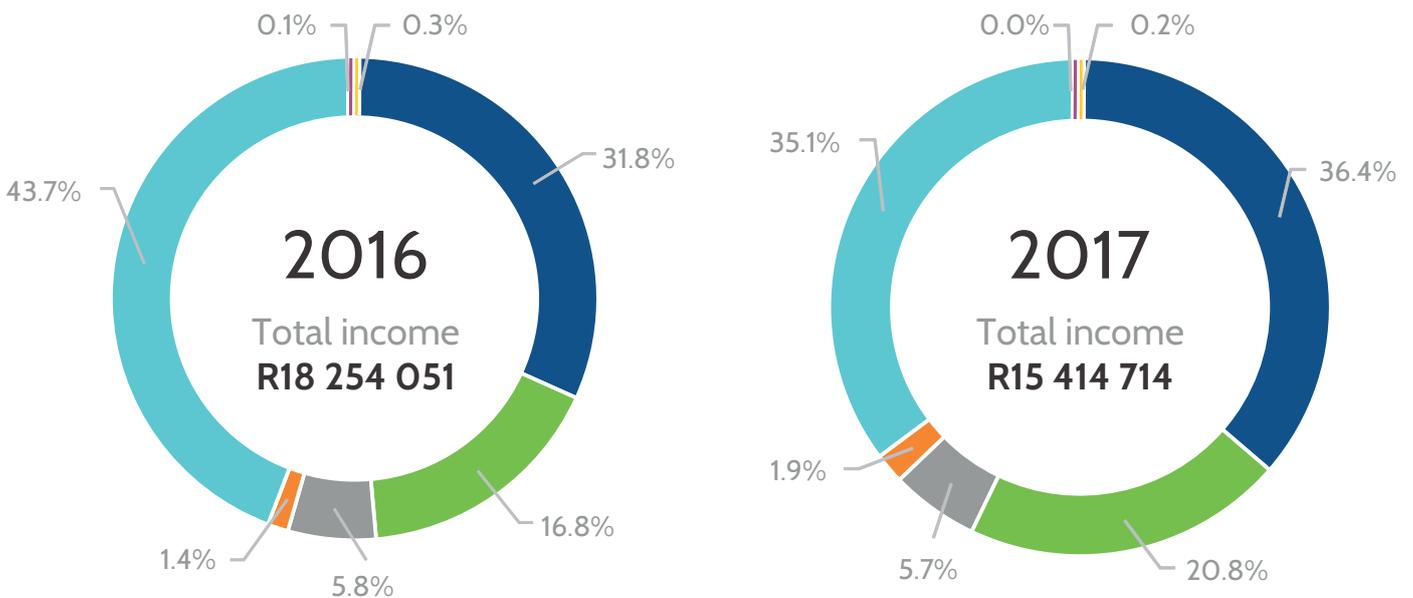
Funding model

The Ethics Institute, previously known as EthicsSA, was originally created in 2000 with strong financial support from the Merck Foundation. Since then, TEI has become financially self-sustaining, and operates simultaneously as a public institute and as a social enterprise. In the former role, TEI produces freely-available research and academic material, contributes to national discourse and policy making, and attracts the support of individual and organisational members. In the latter role, we render a wide array of services to paying clients, and secure funding from large organisations for specific projects. The ratio of income from these two kinds of activity – with the latter financing the former – has remained more or less stable in recent years at 1:1.

In other words, the logic of TEI's funding model is that income generation is not an end in itself. Any profit made is reinvested in the capacity to undertake more research and to render more services, in pursuit of our vision of building an ethically responsible society. We are on a trajectory that requires ongoing innovation to meet the needs of our target organisations and society at large – and our diversified funding model contributes to the sustainability of this trajectory.

Income distribution

Overall, income from services, memberships and sponsorships remained steady. The substantial reduction in total income of some R2.5 million between this and the previous reporting period can largely be attributed to fact that one of our largest funded projects, namely the Siemens Integrity Initiative in Angola, came to the end of its six-year term during the reporting period.



<p>■ Training, advisory, assessments and certification</p>	<p>Income from these activities was slightly lower but comparable year-on-year. They represent a larger proportion of the 2017 total, as this is lower than the 2016 total.</p>
<p>■ Open courses, workshops and conferences</p>	<p>Income from these activities was slightly higher but comparable year-on-year. They represent a larger proportion of the 2017 total, as this is lower than the 2016 total.</p>
<p>■ Membership fees</p>	<p>Members contribute an annual fee. They receive access to the “members only” online resource portal, various regular publications, and other benefits. At year-end, TEI had 119 organisational members and 375 individual members.</p>
<p>■ Donor funding and sponsorship</p>	<p>For each research undertaking, we rely on funding from sponsors to cover the associated operational costs. These companies receive special member benefits, including sponsorship and advertising space at TEI events and on published output. Income from this source increased slightly in 2017.</p>
<p>■ Funded projects</p>	<p>TEI acts as project manager for the Siemens Integrity Initiative's activities in South Africa, Mozambique and Angola. After the first round (2010-2015), TEI was successful in bidding for second round funding (2014-2019), and is currently deeply involved in this project, which involves both public sector and private sector ethics interventions. During the year, TEI also ran projects for the British High Commission in Angola and for the United Kingdom's Department for International Development in Mozambique. Income from this source was substantially lower in 2017, owing to the completion of the Siemens Integrity Initiative project in Angola.</p>
<p>■ Presentations</p>	<p>Most of the presentations undertaken by TEI are pro bono.</p>
<p>■ Committees</p>	<p>TEI staff members sit on a number of boards and board committees, as well as other committees, of various organisations. Director and committee fees earned in this way are paid to TEI and not to staff members involved.</p>

Statement of financial position

The following summary financial information is derived from the audited annual financial statements.

	2017 R	2016 R
ASSETS		
Non-Current Assets	8,948,885	4,347,364
Property, plant and equipment	223,827	250,212
Other financial assets	8,725,058	4,097,152
Current Assets	7,001,024	12,580,093
Trade and other receivables	3,676,798	5,009,525
Cash and cash equivalents	3,324,226	7,570,568
Total Assets	15,949,909	16,927,457
EQUITY AND LIABILITIES		
Equity		
Retained income	14,744,862	15,237,973
Liabilities		
Non-Current Liabilities	198,557	290,189
Income in advance	198,557	198,557
Finance lease liability	-	91,632
Current Liabilities	1,006,490	1,399,295
Finance lease obligation	91,632	70,667
Trade and other payables	566,342	780,349
Income in advance	348,516	548,279
Total Liabilities	1,205,047	1,689,484
Total Equity and Liabilities	15,949,909	16,927,457

Statement of comprehensive income

	2017 R	2016 R
Income from operations	15,414,714	18,254,051
Direct costs	(5,992,062)	(5,526,464)
Other operating gains	-	1,069,732
Operating expenses	(10,742,462)	(9,286,335)
Operating (deficit) surplus	1,319,810	4,510,984
Investment revenue	856,165	390,209
Finance costs	(26,466)	(16,260)
(Deficit) Surplus for the year	(493,111)	4,884,933
Other comprehensive income	-	-
Total comprehensive (loss) income for the year	(493,111)	4,884,933

Note of thanks to members



TEI is grateful for the support of all its individual and organisational members, whose membership fees contribute to our financial sustainability.

We wish, especially, to acknowledge the contributions of our grant members: your generosity helps us strive towards our vision of building an ethically responsible society.



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