



THE
ETHICS
INSTITUTE



2018

INTEGRATED REPORT

building an
ethical
SOCIETY

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ABOUT THIS REPORT

Scope and boundary

This report covers the activities and performance of The Ethics Institute (TEI) for the financial year from April 2017 to March 2018. 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-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; explicitly in the impact model on page 6 - 7 and implicitly everywhere else.

Materiality

Every effort was made to provide readers with an account of the organisation that is at once comprehensive and accessible. To achieve this, the board selected material from activity reports, risk reports and the annual strategic review. These documents are populated with quantitative and qualitative indicators of TEI's multiple endeavours, and were used – in conjunction with contextual information from relevant research – to craft the overall narrative of the past year.

The rationale underpinning the selection of information for the integrated report focused on relevance, transparency and continuity with previous reporting. Thus, while the information in this report is high level, it is an accurate representation of the most material matters that inform the organisation's decision making.

Reliability

All financial information provided in the report was extracted from the audited financial statements, whereas non-financial reported indicators are the product of the organisation's internal system of controls.

Approval

The board of TEI has reviewed and given input to the contents of this document, and approved it on 4 July 2018.

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

 @EthicsInst

www.tei.org.za

The Ethics Institute is an independent public institute producing original thought leadership and offering a range of services and products related to organisational ethics. 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 healthcare 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 corporate services 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.**

I am pleased to present you with The Ethics Institute's Integrated Report for the year April 2017 to March 2018. The Report offers an informative overview of the institute's emergent strategy, achievements and challenges over the past year, and sheds light on the strategic and intellectual rationale underpinning its core activities. We hope to also demonstrate how the leadership and governance of the organisation has affected its value creation process, and to tell our story in a simple, integrated and transparent manner. In essence, TEI focuses on serving a societal role by being a thought leader and a provider of services and products related to organisational ethics.



The past year was a dramatic one to live through in South Africa, marked profoundly by local political events and shaped by turbulent dynamics in the geopolitical landscape. The election of new leadership in the ruling party in December 2017, followed by the appointment of President Ramaphosa, was a decisive moment for the country; it signified a break from a long, challenging period characterised by poor governance, a lack of accountability, and the eroding of an ethical culture, mainly through what is referred to as "state capture". While the problems that we face as a country have not been resolved, it is fair to say that the narrative now being driven at the highest levels gives new impetus to the imperatives of ethical leadership and good governance. The nation is starting a new conversation about what kind of conduct it will accept in its leaders, both in the private and public spheres. These are encouraging signs, but it will take time to address the deep challenges of poverty, inequality and unemployment. Among the many building blocks to address these challenges is establishing an ethical culture.

The renewed focus on an ethical culture presents opportunities as much as it does challenges. Opportunities, in so far as there is an appreciation for the importance of ethical leadership and a concomitant desire to understand what that means; and challenges, in that the opportunity for corruption is never far away, and we need to be even more vigilant. Can South Africa really make the changes it needs to achieve its potential? I am confident that we can, and it is in this context that we believe TEI can play a useful and meaningful role.

TEI's vision of "building an ethically responsible society" remains valid, and continues to motivate our staff and direct our activities. TEI employs a model of value creation that is based on impacts and outcomes, and focuses on organisations – businesses, professional associations and government institutions – as the primary channels for its training and advisory work. At the same time, empirical research produced by TEI leads to an invaluable understanding of the trends shaping various aspects of organisational ethical behaviour over time.

The past year saw TEI deliver tangibly against its mission of being a "globally recognised thought leader that provides comprehensive ethics solutions to organisations". TEI was the recipient of the Gold Award in the Good Governance Category of the Premier's Service Excellence Awards for its work with the Gauteng Provincial Government as part of the Siemens Integrity Initiative, and this is especially noteworthy, as this project is a rare example of true collective action making an impact. TEI's ongoing efforts in Mozambique, also as part of the Siemens Integrity Initiative, are gaining impressive traction in that country.

It is with confidence that I can say, on behalf of the Board, that the CEO, Prof Deon Rossouw, has led TEI courageously and effectively over the past year. We thank him as well as the entire team at TEI for living the ethical values that we espouse and we commend them for good results that can be presented to you, our stakeholders. We take pride in the work being done by TEI and also the manner in which our reporting continues to improve.

My thanks go to my fellow Board members for their commitment to the cause and, by extension, to TEI. It is a distinct pleasure and privilege to work with such dedicated, supportive and committed colleagues. The time that is given up by each one to attend to TEI affairs is appreciated. My first year in the role as Chairman has been personally rewarding for me and I consider it a privilege to serve this organisation in this capacity.

We remain hopeful for our country and for TEI. The next 12 months will be filled with challenges as various entities, including government, continue on the path of rebuilding ethical leadership and good governance. It is important that, as an organisation, we continue to support these initiatives and play a meaningful role in a changing society. We cannot cast aside organisations that seek to rebuild and learn from their past conduct.

We therefore anticipate more positive steps in the South African environment, and a move towards improved economic growth, despite some concerns regarding global developments that will continue to impact us. Again, we are hopeful that good sense and good morals will prevail, and will continue focusing our efforts and our passion on organisations, giving them the knowledge and the tools to build internal ethical cultures and, from there, contribute to the ethical society we envisage.

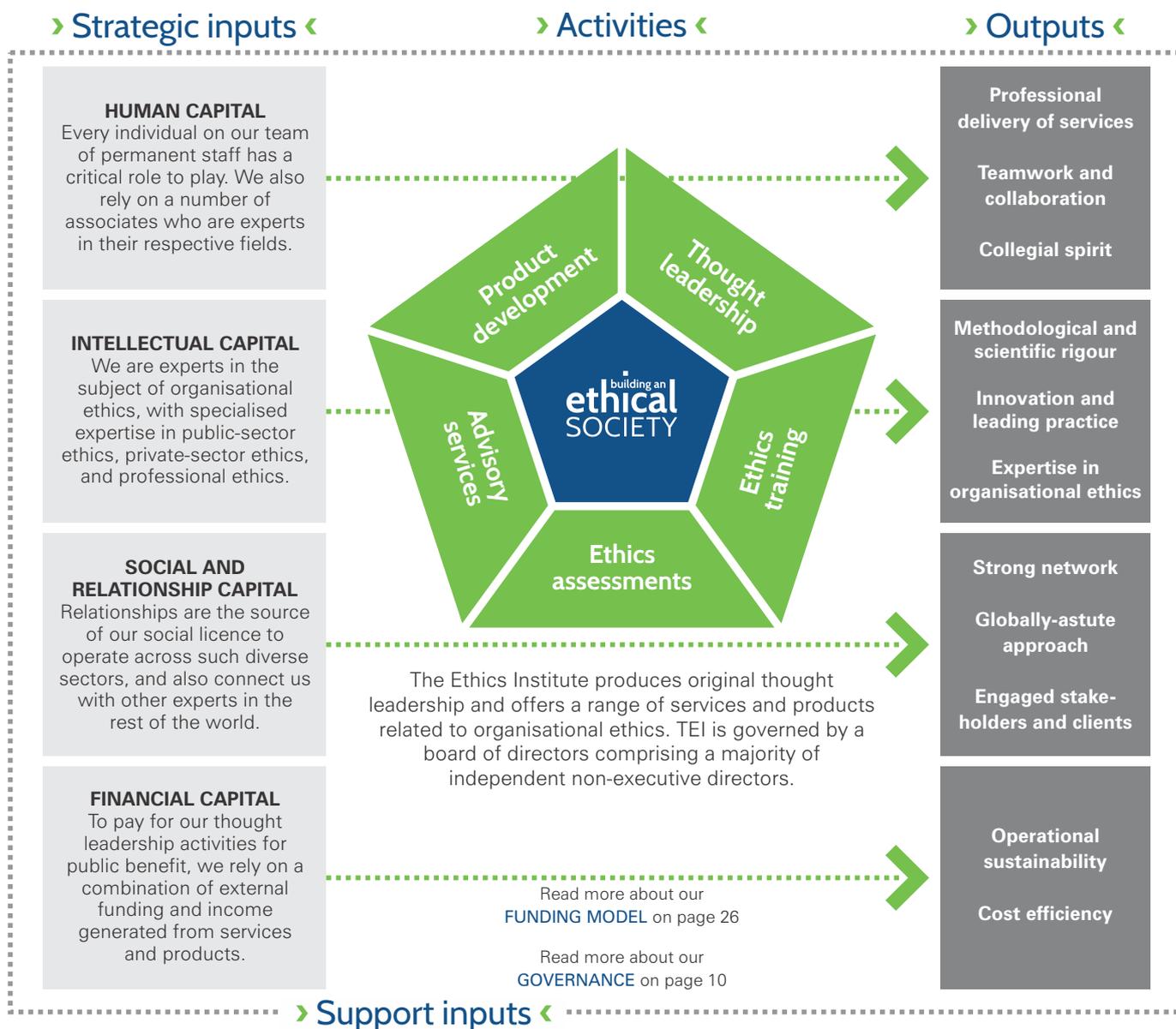


Mohamed Adam
Chairman of the Board

“While the problems that we face as a country have not been resolved, it is fair to say that the narrative now being driven at the highest levels gives new impetus to the imperatives of ethical leadership and good governance.”

IMPACT MODEL

Because of our dual positioning as a public benefit institute and social enterprise, we define the purpose of our organisation in terms of its impact – on stakeholders, on organisations, on society at large – and we therefore prefer the term “impact model” to “business model”. The model below provides the reader with a broad sense of The Ethics Institute’s inputs, activities, outputs and outcomes, as guided by the <IR> Framework.



MANUFACTURED CAPITAL

We operate out of offices in Pretoria, with a satellite presence in Cape Town. We rely significantly on information and communication technology in the course of our work, and have invested significant resources in ensuring the safe storage of our digital resources.

Read more about the impact of technological change in the **RISKS AND OPPORTUNITIES** on page 14

NATURAL CAPITAL

We rely on the energy and water infrastructure of the country to run our own offices comfortably. We endeavour to make use of training facilities that are environmentally friendly. The nature of our work compels us to travel often both locally and abroad, which has a negative impact on our carbon footprint.

Read more about the environmentally responsible steps we are taking in the **IMPACT** section on page 17 - 24

> Outcomes <

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.

IMPROVING PERFORMANCE

Through advisory activities and the distribution of ethics management products.

ASSESSING ACHIEVEMENT

Through scientifically-robust quantitative and qualitative measurement instruments.

TARGET ORGANISATIONS

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

Private sector

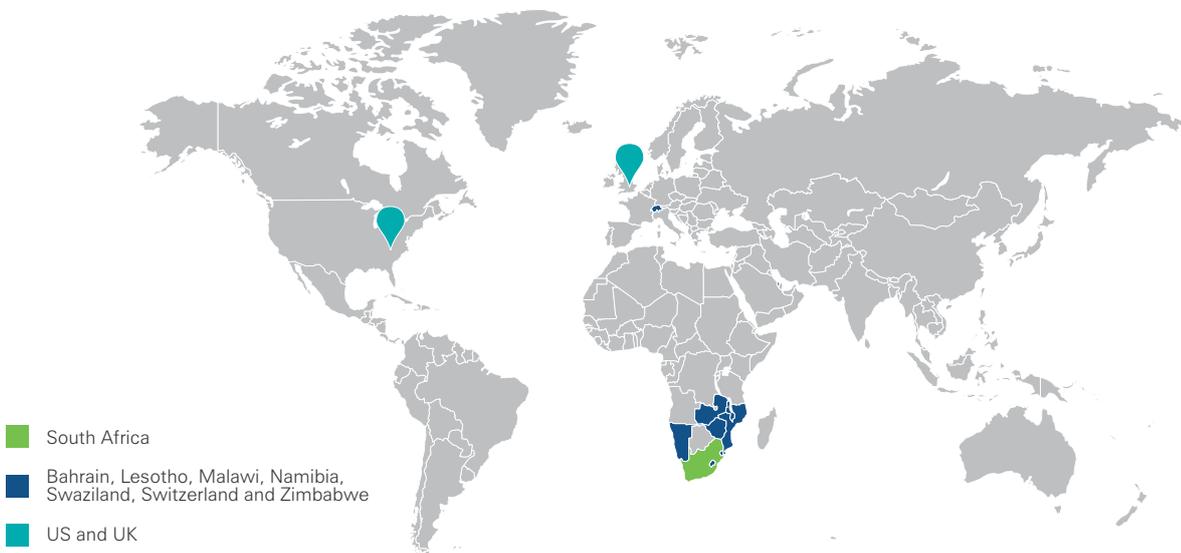
Public sector

Professional associations

Read more about our **IMPACT** on page 17 - 24

ACTIVITY FOOTPRINT

Over the past year, TEI's activities were focused primarily in South Africa for various organisations countrywide. Our projects as part of the Siemens Integrity Initiative were focused in Gauteng and Mozambique. TEI also took on assignments in Bahrain, Lesotho, Malawi, Namibia, Swaziland, Switzerland and Zimbabwe during the year. Finally, our engagements with international partners involved sending one of our experts on a learning trip to various organisations in the United States, and publishing a handbook in partnership with UK-based Institute of Business Ethics.



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 engagement



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.
- 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 capabilities.
- 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 scientifically-robust assessments and audits are offered by TEI:

- Ethics risk assessment (ERA)
- Ethical culture assessment (ECA)
- Ethics management maturity assessment (EMMA)
- Minimum anti-corruption capacity (MACC) audit
- Internal audit assessment of ethics
- Safe reporting 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 our 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



We are committed to bolstering our physical and digital product offering in the short and medium term. The product portfolio comprises two sets of training videos, with more in production:

- 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.

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 relies on the Fourth King Code on Corporate Governance (King IV Report™) 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 director's background is provided in the table below, along with their meeting attendance record for the year.

	4 July 2017	12 October 2017	26 April 2018
<p>Mr Mohamed Adam <i>Independent Non-Executive Chairman, Chairman of the Human Capital and Nominations Committee, member of the Remuneration Committee</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 GM 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	P
<p>Mr Colin Beggs <i>Independent Non-Executive Director, member of the Human Capital and Nominations Committee, Chairman of the Remuneration 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>	P	P	P
<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 Capital and Nominations Committee, member of the Remuneration Committee</i></p> <p>Berénice is a Non-Executive Director of various organisations, currently serving on the board of the South African National Accreditation System. She has served on the boards of HOPE Worldwide, African Thought Initiative, and the South African 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, including chairing 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>	A	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, 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*	A*	A*
<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 nine honorary doctorates. 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, the Independent Chairman of KPMG South Africa, 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</i></p> <p>Deon was a Professor of 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, a member of the King Committee on Corporate Governance, and has been recognised as a Chartered Director by the IoDSA.</p>	P	P	P
<p>Prof Anton van Niekerk <i>Independent Non-Executive Director</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	P	P
<p>Prof 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. Leon is currently an Adjunct Professor in Organisational Psychology at the University of Cape Town. He joined TEI in 2014 and was appointed to the board of TEI during 2016.</p>	P	P	P

P: present A: absent with apology A*: absent with written comments on board pack

Board sub-committees

The **Human Capital and Nominations Committee** is comprised of three non-executive directors. The committee is responsible for nominations, succession planning, and human resources. The committee holds two meetings per year.

The **Remuneration Committee**, comprising three non-executive directors, is responsible for assessing the performance of the CEO, and for recommending his remuneration to the Board for final approval. Remuneration comprises fixed and variable income, encouraging high performance for the benefit of TEI. The committee meets once per year.

Material governance items during the year

- Mr Mohamed Adam assumed his duties as Chairman of both the Board and the Human Capital and Nominations Committee on 30 March 2017.
- The formalisation of the Remuneration Committee as a separate sub-committee of the Board took place.
- The Board, Human Capital and Nominations Committee, and Remuneration Committee were evaluated and deemed effective.
- A strategic review was undertaken, leading to reconfirmation of the emergent strategic plan to 2020, as well as annual strategic focal areas and performance indicators.
- The Board reviewed and approved the terms of reference of the Board and sub-committees and the delegation of authority to the CEO.
- The Board considered the appointment and independence of the external auditor and approved the annual financial statements.

The reporting period was both a turbulent and an exciting one. It offered new challenges, but also new opportunities, to The Ethics Institute. As we live in an increasingly interconnected world, it is important for the reader to understand the environment in which TEI operated over the last year, both globally and closer to home.

Global backdrop

All of our activities take place within a broad global context over which we have little control, but to which we strive to be responsive. There are clear signs that momentum in the international fight against corruption is building. World-leading anti-corruption legislation – in the United States (Foreign Corrupt Practices Act), United Kingdom (UK Bribery Act), Canada (Fighting Foreign Corruption Act), and France (Sapin II Act) – is imbued with extra-territorial reach, giving courts of those countries the power to prosecute corrupt activities committed on foreign soil. The cumulative message of these legal developments is that organisations around the world are expected to be responsible for their entire footprint – including that of their suppliers – and that there are potentially dire consequences for conducting business or state affairs in an unethical fashion. That these issues feature prominently in the World Economic Forum's *The Future of Trust and Integrity Project* adds further weight.



Technological developments also play a role in these dynamics in ways that are hard to grasp. As incarnations of the so-named Fourth Industrial Revolution make our daily lives increasingly more convenient, automatic and shareable, issues of cybercrime, privacy violations and information ethics become ever more pressing for individuals and organisations. As does the more fundamental concern of access and the widening digital divide between those who can afford new technology and those who cannot.

This global narrative is highly conducive to creating opportunities for TEI to assist organisations in building ethical cultures that are resilient against corruption, and also to ensure that the same is true of the small and medium-sized enterprises with whom they do business upstream and downstream. Information and communication technology makes it possible to offer this much-needed ethics training and advisory at scale through digital channels.

Local context

The fight against state capture in South Africa has created a volatile landscape in which networks of patronage and corrupt relations have been exposed on a large scale. The so-called “Gupta-leaks”, and subsequent parliamentary hearings, have exposed corrupt practices involving state departments, state-owned enterprises, and private-sector companies. More revelations are expected as the official judicial inquiry into state capture begins in 2018.

And so, the narrative is gradually changing in South Africa. With new leaders in government and many state-owned enterprises, there are signs that the right “tone at the top” is being set, indicating that the very long journey towards building an ethical society has a greater chance of gaining momentum now than it did this time last year. However, much still has to be done to restore the integrity and independence of key state institutions, such as the National Prosecuting Authority, the South African Revenue Service, and the Directorate for Priority Crime Investigation. It is encouraging that there seems to be the political will to do so, despite considerable resistance from those who benefitted from the previous dispensation.

Our focus on organisations as the primary recipients of our product and service offering is entirely intentional, and stems from our belief that organisations have a significant impact on society. When an organisation fosters an ethical culture internally, it becomes a fertile space for the ethical development of all persons who come into contact

with it – but the inverse is also true. The Ethics Institute is committed to assisting organisations – be they public enterprises, government departments or private companies – to build ethical cultures and to take seriously their corporate citizenship responsibilities to promote ethical practices within their spheres of influence. This is how we strive for our ultimate goal of an ethical society.

Performance overview

In the following sections of this report, we share our risks, achievements and challenges over the reporting period. Using an integrated thinking approach, we not only provide an overview of our activities, services, and products, but also report on how we have used the capitals that we depend upon and affect. Besides nourishing our other capitals, we stepped up our effort to use our natural capital more responsibly. I'd like to highlight the following:

- TEI was recognised at the Gauteng Premier's Service Excellence Awards for the work we do in partnership with the Gauteng Provincial Government, which is funded by the Siemens Integrity Initiative. This ongoing multi-year collective action project, the *Gauteng Municipal Integrity Project*, has gained traction after a great deal of effort from committed people working multilaterally, and the award affirms the value of their efforts.
- The number of Ethics Officers certified by TEI has reached 833 and continues to rise. The ongoing interest in this training is indicative of organisations' increasing attention to ethics management and governance. Overall, this contributes to a broader encouraging trend: the professionalisation of ethics management.
- Our financial situation at the end of the reporting period remains stable and positive, despite considerable investments in expanding both our human and intellectual capital.

Ultimately, we measure our success by impact: whether we are making a positive contribution to our vision of "building an ethically responsible society".

Going forward

It is abundantly clear to all that things can go wrong in any organisation, and this shock realisation (for some) has elevated organisational ethics as a strategic priority. Organisations who have been negatively affected by these damaging revelations are seeking assistance from TEI to help restore their organisational integrity and reputation, which creates obvious opportunities for TEI. However, TEI needs to be circumspect in how it engages with these affected organisations in order to ensure that its own reputation is not tainted by association.

I am positive that all our capitals are in good shape, thus keeping us on track to reach our 2020 strategic objective of being "a globally recognised thought leader that provides comprehensive ethics solutions to organisations". We are most fortunate to have a competent board which provides strategic direction and meticulous oversight of the performance of TEI. In addition, our team of dedicated staff members, who find meaning and joy in what they do, drives us toward achieving our strategic objectives.



Prof Deon Rossouw
Chief Executive Officer

"The new mood in the country emphasises the importance of ethical leadership and organisational integrity, thus creating a conducive environment for both the public benefit role played by TEI, and for the kind of services and products we offer."

Risk environment

TEI endeavours to manage the risks to running a sustainable public benefit institute and social enterprise. As far as we can, we strive to influence external dynamics positively, and of course focus a great deal of effort gearing our internal capitals to be responsive to opportunities arising. The following high-level summary of TEI's more direct environment should be read against the global backdrop described in the CEO's review.

National environment

What is shaping the political, social and economic context?

The biggest factor currently shaping the local landscape is the change of leadership in the ruling party and government. The proactive approach of the new president is a distinct and welcome departure from the abysmal lack of accountability that came to characterise that of the previous administration. Important steps have already been taken to clamp down on corruption and incompetence in the public service and public enterprises, which have been a drain on the fiscus for the greater part of a decade.

While encouraging changes are taking place, South Africa lags on many critical indicators of human well-being and economic health. Two out of the three international ratings agencies demoted the country's credit rating to sub-investment grade, and growth remains elusive. The social environment is shaped by extreme economic inequality, which contributes to heightened tensions among people of different races and backgrounds. In this environment, efforts by social justice organisations, the media, and engaged citizens are more important than ever.



TEI's ability to influence dynamics at this level: **Limited**

Operating environment

What is shaping the decision-making of organisations?

The phenomenon of state capture in South Africa has rocked the country, and there is a long way to go yet in grasping its full extent, but it is likely to shape the way in which organisations understand ethics risk for many years.

A number of standards and regulatory reforms, which give emphasis to organisational ethics, are intended to guide organisational behaviour. Over the last year, the King IV Report™ became more entrenched, following its release in November 2016. In the public sector, the introduction of the Public Service Regulations (of 2016) has made it mandatory for both national and provincial governments to introduce structures and processes to manage ethics and prevent corruption. Developments related to the Local Government Anti-Corruption Strategy are introducing the same in municipalities.

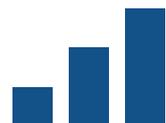


TEI's ability to influence dynamics at this level: **Moderate**

Internal environment

What organisational dynamics influence TEI's touchpoints with internal and external stakeholders?

TEI's dual positioning of public benefit institute and social enterprise comes with both kinds of financial sustainability challenges that characterise these organisational identities.



TEI's ability to influence dynamics at this level: **Significant**

To continue adding value as a thought leader, we need to continue producing relevant research for public use, which requires the support of external funders. And to continue serving the needs of paying clients, our offering needs to be of the highest quality in terms of content (our expertise) and form (digital solutions).

As an organisation with a staff component of fewer than 20 individuals, TEI is heavily reliant on the expertise and passion of our human capital to meet the challenges described above. And in an environment where many are sceptical about organisational integrity – a scepticism which extends to civil society organisations – maintaining the good name of TEI is key to sustaining internal and external relationships.

Material risks

The table below is extracted and adapted from TEI'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. This analysis reflects the preceding narrative and demonstrates the ways in which TEI is responding to the themes highlighted therein.

Risk and description	Mitigation	Opportunities
Technological developments: Risk of obsolescence in the face of disruptive technological innovations	<ul style="list-style-type: none"> Keeping abreast of latest information and communication technology developments Developing innovative technological services and products 	<ul style="list-style-type: none"> Innovate electronic solutions in services and products related to organisational ethics offering Utilise electronic solutions in internal processes
Legislation, regulation and codes: New mandatory and voluntary standards impact on demand for ethics management	<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 regulatory emphasis on ethics
Skills shortage: Shortage of appropriately qualified persons to recruit	<ul style="list-style-type: none"> Creating more opportunities for staff development Offering a bursary scheme for staff to pursue further education 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
Cyber security: Cyber-attacks and malware can hamstring an organisation or lead to disclosure of confidential information	<ul style="list-style-type: none"> Taking measures to improve cyber security, including installing superior software Migrating physical servers to the Cloud Acquiring additional safe storage capacity 	<ul style="list-style-type: none"> Stable and safe IT infrastructure and systems Offer clients peace of mind that sensitive information is well protected
Financial sustainability: Rising operational costs and salaries put pressure on financial sustainability	<ul style="list-style-type: none"> Expanding the TEI training, service and product range Accessing project and grant funding to ensure stable income streams 	<ul style="list-style-type: none"> Innovate to develop new income streams Improve financial controls and budget/cash flow management Build the TEI reputation and brand to open new product, service and supporter opportunities
Attracting and retaining talented staff: Danger of losing scarce expertise is amplified by the difficulty of recruiting new talented staff	<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

Our strategy, which follows immediately on page 16, unfolds in an emergent and agile fashion in response to changes in each of these risks areas over time, while staying true to our vision and mission.

The desired future state which TEI pursues is encapsulated in TEI's mission: to be a globally recognised thought leader that provides comprehensive ethics solutions to organisations. In an emergent strategy, the impossibility of predicting the future is acknowledged, and instead a number of areas are identified in the present for their likelihood of contributing to reaching the desired future. This approach differs from a prescriptive approach, where an end state is predicted, and the path towards the end state is mapped over the period covered by the prescriptive strategic plan.

It is important to regularly revisit the focus areas to ensure that they are still relevant and trained on the moving target as the organisation's risk and opportunity profile evolves over time. In the case of TEI, the initial focus areas were developed in 2016, with a five-year horizon to 2020, and are reviewed annually by the board, along with the annual targets for each performance indicator.

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.

Indicators:

- Findings of staff and culture satisfaction survey
- Staff initiatives taken
- Investments made in staff development

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.

Indicators:

- Formal partnerships with leading local and international institutes
- Participation in international forums and publications

Innovation: We will focus on improving existing services, while also extending our offering towards providing a comprehensive one-stop service to clients. A recent 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.

Indicators:

- New training programmes, services and products
- New electronic training programmes, services and products

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

Indicators:

- Project turnaround times
- Quality of services delivered to clients
- Findings of client satisfaction assessments
- A client intake system that protects TEI against reputational damage

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, supporter subscriptions, sponsorships and project funding.

Indicators:

- New project and grant funding
- Additional income from new products and services
- Meaningful cost savings

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 impact model, the “communities” on whose social practices we focus, are primarily three types of organisations, with each type experiencing factors that support, and factors that undermine, ethical conduct.

Private sector	Public sector	Professional associations
<p>✓ Supporting factors</p> <ul style="list-style-type: none"> Highly regulated Reputation key part of competitive positioning Increasing scrutiny <p>✗ Undermining factors</p> <ul style="list-style-type: none"> Emphasis on short-term returns Corporate arrogance 	<p>✓ Supporting factors</p> <ul style="list-style-type: none"> High level of public scrutiny Increasing intolerance for corruption Increasing regulation <p>✗ Undermining factors</p> <ul style="list-style-type: none"> Political deployments Lack of capacity and competency to implement regulatory reforms 	<p>✓ Supporting factors</p> <ul style="list-style-type: none"> Clear standards and codes to guide ethical behaviour Oversight role <p>✗ Undermining factors</p> <ul style="list-style-type: none"> Not holding errant members to account consistently Inadequate training of members on ethics
<p>Our approach</p> <p>Private sector organisations require support in various forms, from assessments, to advisory, to training. TEI provides such services to large corporates, multinationals, and small and medium-sized enterprises.</p>	<p>Our approach</p> <p>TEI's work in the public sector is focussed on helping to build a professional and ethical public service, as envisaged in Chapter 10 of the South African Constitution. This is a dire imperative for society.</p>	<p>Our approach</p> <p>TEI works to help improve the governance of ethics in professional associations, and assists in delivering CPD training to their members. TEI has partnerships with many of these organisations, serving on their governance structures, and collaborating on various projects.</p>

Irrespective of the differences sketched above, many of the core concepts related to organisational ethics apply across the board, and TEI has an intellectual toolkit of interventions that can be applied to specific organisational contexts.

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

Partnerships

TEI's social and relationship capital, in the form of key organisational partnerships, extends our reach beyond our own immediate touchpoints with stakeholders. We are proud to be associated with an array of organisations with whom we have memoranda of understanding to achieve specific ends based on the synergies extant in each partnership. These organisations with whom we have strategic partners include, among others:



Association of Certified Fraud Examiners



African Corporate Governance Network



Anti-Intimidation and Ethical Practices Forum



Business Ethics Network of Africa



Ethics Practitioner's Association



Financial Planning Institute of Southern Africa



Globethics.net
(based in Switzerland)



Institute of Business Ethics
(based in the UK)



Institute of Commercial Forensic Practitioners



Institute of Internal Auditors of South Africa



Institute of Directors in Southern Africa



Institute of Risk Management South Africa



South African Board for People Practices



South African Institute of Chartered Accountants



South African Institute of Professional Accountants



Society for Industrial and Organisational Psychology of South Africa



Unashamedly Ethical

Supporter base

Over the past year, TEI has taken the strategic decision to phase out its offering of membership to individuals and organisations, replacing it with the “Supporter” offering. This is to more accurately reflect the nature of the relationship with these stakeholders, as TEI is incorporated as a non-profit organisation without members under the Companies Act of 2008; thus, “membership” with us is a subscription membership, rather than membership with voting rights. The potential for confusion arises as external observers do not appreciate the distinction, and infer that membership carries our implied ethical stamp of approval. This is a reputational risk and is therefore something we cannot allow if we are to sustain the trust of our stakeholders.

In the latter half of the 2018 reporting period, this change was communicated to current individual and organisational members. Over the course of the 2019 reporting period, all current members will be invited to transition to Supporter subscriptions. It is vitally important that we retain their loyalty and continue to offer them value in return for their annual subscription fee, which is equivalent to the previous membership fee. For individuals, there is little material difference in the benefits they receive, which encourages retention despite the new name. All Supporters (whether new or renewing) are now required to digitally sign an aspirational commitment to ethical behaviour – the TEI Supporter Pledge – which we intend as a reminder that they are a part of our vision of building an ethically responsible society.

The TEI Supporter Pledge

“I support The Ethics Institute's vision of building an ethically responsible society by acting ethically and promoting ethics in my sphere of influence”.

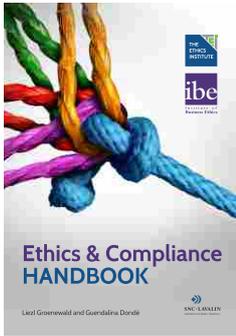
A new once-a-year renewal scheme, along with the new option to pay subscription fees online, are expected to streamline the administration for these important stakeholders. These and other process improvements are also expected to improve TEI's ability to more accurately report annual statistics related to numbers of Supporters and income from subscriptions in future.

Some organisations will be approached to become sponsors of TEI, with three different levels of financial contribution corresponding with different benefits. This relationship is defined by clear terms of engagement agreed to by both parties.

Thought leadership

Publications

TEI strives to be a global thought leader in the field of organisational ethics, and we produce original research material to create awareness, to inform, and to capacitate. All thought leadership material is made available for free download on our ever-growing online resource library, and we continuously encourage people interested in, or working in organisational ethics, to make use of these resources. During the year, the following were published:



Ethics and Compliance Handbook

Launched at the 7th Annual Conference on 15 May 2017
 Compiled by Liezl Groenewald (TEI) and Guendalina Dondé (IBE, UK)

This handbook tackles the complex relationship between ethics and compliance in organisations. The project was a collaboration between TEI and the Institute of Business Ethics (in London), and was financially supported by SNC Lavalin. Other handbooks include the Social and Ethics Committee Handbook, the Ethics Reporting Handbook and the Ethics Risk Handbook.



Citizens' Bribery Survey 2017

Launched to the media on 29 November 2017
 Compiled by Kris Dobie

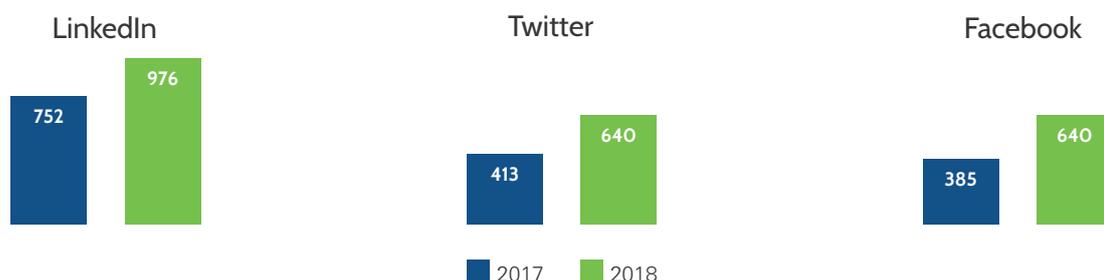
The third annual Citizens' Bribery Survey revealed interesting trends in citizens' perceptions of bribery and corruption in South Africa. Bribery is, unfortunately, on an upward trend, but an encouraging finding was the high degree to which citizens claim to consider corruption in their voting patterns. The project was financially supported by Massmart and generated a significant public discussion on various media platforms.

Media engagement

TEI contributes to the public discussion around ethics and corruption in the form of opinion pieces written by our subject matter experts on relevant topics. During the reporting period, the following titles were distributed to the press, leading to engagements in print, online, television and radio platforms.

- Why ANC members should vote with their conscience in the no-confidence motion
- Is Zuma immune to moral appeals?
- The prominence of ethics in King IV
- Taking a deeper look into local government
- Surviving the fall: how to deal with ethical failure in organisations
- Restoring trust after state capture
- Koko matter has lessons for directors and executives (joint release with IoDSA)
- A nation starved of justice
- White collar courage: first-of-its-kind survey reveals many professionals in South Africa do stand up for what is right
- Why organisations need to have ethics disaster management plans
- Should the private lives of leaders concern us?
- Seven out of 10 people would change their vote if they perceived their political party to be enabling bribery and corruption (joint release with Massmart)
- Ethical leadership is essential, but not enough
- Credibility: the leader's currency
- Ethical failures and the danger of over-regulation: rules and more rules. And then what?
- Collective action project shines at Premier's Service Excellence Awards

TEI continues to gain traction on the social media channels on which we are active, as measured in the number of "followers" (LinkedIn and Twitter) and "likes" (Facebook).



Academic contributions

The material academic contributions made by TEI staff are summarised below:

- Completed the 6th edition of the textbook *Business Ethics*, by Deon Rossouw and Leon van Vuuren, published by Oxford University Press South Africa
- Served on the editorial boards of three academic journals, namely:
 - *African Journal of Business Ethics*
 - *Journal of Business Ethics*
 - *Turkish Journal of Business Ethics*
- Served academic roles at various universities, including:
 - University of Stellenbosch – Professor Extraordinaire in Philosophy (Deon Rossouw)
 - University of Cape Town – Adjunct Professor in Organisational Psychology (Leon van Vuuren)
 - University of Pretoria – Guest Lecturer in Professional Ethics (Kris Dobie)
 - University of Johannesburg – Guest Lecturer in Industrial Psychology (Leon van Vuuren)
 - University of Stellenbosch Business School Executive Development – Lecturer (Deon Rossouw)
 - Management Centre Innsbruck (Austria) – Guest Lecturer (Liezl Groenewald)
- Published articles in the following journals:
 - *African Journal of Business Ethics* (Grace Garland, Dr John Morrison and Prof Piet Naudé)

Event participation

Our subject matter experts represented TEI at the following international and national events:

- 11th World Forum for Responsible Economy in Lille, France
- 9th Public Sector Audit and Risk Indaba Cape Town, South Africa
- 16th Annual Conference of BEN-Africa in Stellenbosch, South Africa
- “Is ethics important for business in Mozambique?” event organised by TEI in Maputo, Mozambique
- African Corporate Governance Network Conference in Windhoek, Namibia
- Integrity Network Initiative Collective Action Conference in Aswan, Egypt
- World Bank and African Development Bank Integrity and Compliance Conference in Sandton, South Africa
- African Corporate Governance Network Conference in Addis Ababa, Ethiopia
- 2nd People Development in Africa Conference by JvR Group in Skukuza, South Africa
- 18th Annual Conference of the Compliance Institute of South Africa in Johannesburg, South Africa
- 19th SIOPSA Conference in Pretoria, South Africa

Funded projects

TEI is currently co-ordinating two large-scale projects under the **Siemens Integrity Initiative**, which was created as part of the World Bank-Siemens AG comprehensive settlement agreed in 2009. Over the course of three funding rounds starting in 2010, Siemens is making USD100 million available to anti-corruption projects around the world. After the first round (2010-2015), TEI again successfully bid for funding in the second round (2014-2019), and is currently deeply involved in executing projects in Gauteng and Mozambique.

Gauteng Municipal Integrity Project



TEI works closely with the Gauteng Provincial Government in conducting ethics management interventions in nine of the major municipalities in the province. So far, more than 750 people have received ethics training, including 40 ethics officers, 18 ethics trainers, 320 councillors, and 350 officials. Furthermore, Ethics Risk Assessments and Ethics Management Maturity Assessments have been finalised in most municipalities. This project received the Gold Award in the Good Governance Category of the Gauteng Premier's Service Excellence Awards in February 2018.

Collective action for fighting corruption in Mozambique



TEI is actively working to capacitate local partner organisations to drive awareness of, and build collective action for, ethical business practices in Mozambique. These partners include the Institute of Directors in Mozambique, the Association of Trade, Industry and Services, the Order of Accountants and Auditors, Maputo Corridor Logistics Initiative and the Confederation of Trade Associations. To date, seven Portuguese ethics trainers have been certified, 34 attended Ethics Officer training, 236 received ethics management training and 112 delegates participated in cross-border roundtables. Ultimately, the goal for the end-of-project is that local stakeholders will have the skills, conviction and resources to continue raising awareness and sharing knowledge of ethical business practices in their home country, without the help of TEI.

TEI staff are also involved in project management for the **Coalition for Ethical Operations**, a group of interested businesses who have come together to support each other in the implementation of relevant programs to fight corruption. The Coalition's foundational principle is "No company can solve a global crisis on its own", and it aims to make funds available for multilateral projects that support this principle.

External services provided

Below are the quantitative indicators of services rendered to paying clients during the year. Naturally, these numbers do not capture the nature of each engagement – particularly in the case of assessment and advisory work, which is unique to each client – but they are useful in gauging the consistency and growth of our services over time.

Ethics training

11

Our flagship programme, the Ethics Officer Certification Programme (EOCP), was delivered 11 times (2017: 11). These include programmes that are open to the public, as well as in-house programmes delivered to specific client organisations.

113

The EOCP programme – including the practicum assignment – was successfully completed by 113 people (2017: 132), who have therefore been officially certified as Ethics Officers through the University of Stellenbosch Business School: Executive Development.

833

Since the inception of the EOCP programme in 2004, 833 persons have been certified as Ethics Officers.

51

Besides the EOCP, other in-house training programmes were presented to 51 organisations (2017: 53).

Ethics assessments

21

Assessments were undertaken in 21 organisations (2017: 37). These included ethics risk assessments, ethics management maturity assessments, ethical culture assessments, safe reporting service provider certification and code of ethics/conduct assessments.

Advisory services

47

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 47 organisations (2017: 25).

Product development

2

Following the completion of the “Business Ethics – Everyone’s Responsibility” videos, production of two more similar video sets is underway.

Pro bono work

TEI performs services free of charge when the opportunity arises. During the past year, the following pro bono work was done by TEI staff:

- CPD presentations to Industrial Psychologists Tygerberg Forum
- Ethics workshop for the elderly at Helderberg Society for the Aged
- Codes of ethics presentation for Society for Industrial and Organisational Psychology of South Africa
- Development and statistical analysis for the first ever AEPF Ethical Practices Survey

Events calendar

Over and above the standard open training programmes offered during the reporting period, TEI coordinated and hosted the following events and training.

<p>15 May 2017 7th Annual Conference <i>Attended by 268 delegates</i></p> <p>Keynote address: Trevor Manual Theme: From Ethical Courage to Conduct</p>	<p>27 July 2017 Annual Member Event <i>Attended by 57 delegates</i></p> <p>Guest speaker: Dr Divya Singh Theme: Whistleblowing and the Protected Disclosures Act</p>	<p>2 August 2017 Ethics Investigations Workshop <i>Attended by 13 delegates</i></p> <p>Presenter: Liezl Groenewald Open training</p>
<p>15 September 2017 10th Ethics Officer Learning Forum <i>Attended by 86 delegates</i></p> <p>Keynote address: Dr Reuel Khoza Theme: Ubuntu in the Workplace</p>	<p>20 September 2017 Values-Driven Leadership Workshop <i>Attended by 28 delegates</i></p> <p>Presenter: Prof Deon Rossouw Training event in Mozambique as part of the Siemens Integrity Initiative</p>	<p>12 October 2017 Ethics Investigations Workshop <i>Attended by 51 delegates</i></p> <p>Presenter: Liezl Groenewald Training event in Mozambique as part of the Siemens Integrity Initiative</p>
<p>13 October 2017 Business Breakfast <i>Attended by 106 delegates</i></p> <p>Keynote speaker: Graça Machel Networking event in Mozambique as part of the Siemens Integrity Initiative</p>	<p>29 November 2017 Ethics Risk Management Workshop <i>Attended by 22 delegates</i></p> <p>Presenter: Prof Leon van Vuuren Open training</p>	<p>15 March 2018 Ethics Focus on Regulatory Frameworks Workshop <i>Attended by 43 delegates</i></p> <p>Presenters: Prof Deon Rossouw and Kris Dobie Open training</p>

Achievements

We celebrate internal milestones as well as our external impact. Some noteworthy achievements took place at TEI in the reporting period:



TEI received the Gold Award in the Good Governance Category of the Gauteng Premier's Service Excellence Awards in recognition of the work conducted as part of the *Gauteng Municipal Integrity Project* funded by the Siemens Integrity Initiative. The project team Kris Dobie, Thobile Madonsela and Fatima Rawat (associate) are acknowledged for their achievement.



TEI hosted a research and coaching seminar with Joanna Ciulla (Professor of Leadership Ethics and Research Director of the Institute for Ethical Leadership at Rutgers University, USA) for staff and associates.



Another member of TEI staff, Grace Garland, was successfully certified as an Ethics Officer, EO 737. She joins Liezl Groenewald (EO 008), Dantia Richards (EO 277), Celia Lourens (EO 568), Letitia October (EO 630) and Thobile Madonsela (EO 631) as certified Ethics Officers at TEI.



Significant research work was done by Dr Paul Vorster and associates at UNISA School of Business Leadership, and University of Johannesburg, to improve on, and innovate, the various ethics assessment instruments offered by TEI.



The Safe Reporting Standard, which TEI uses to assess and certify safe reporting service providers, was updated and reviewed by Liezl Groenewald.



An environmental committee was formed to drive environmental awareness among staff at TEI, starting with a recycling programme.



Prof Deon Rossouw was invited by Premier David Makhura to serve on the Gauteng Ethics Advisory Council, an independent body comprising respected individuals from various institutions involved in the promotion of ethics.

Broadly, there are two roles that internal staff members fulfil: subject matter experts and corporate services 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 usually employ one or two interns who receive on-the-job training.

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 Paul Vorster

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

Letitia October

Accountant
BCompt: Accounting Science
Ethics Officer 630
Joined TEI in 2015

Rebecca Motale

Administrative Assistant
Joined TEI in 2005

Dinah Mafahlane

Housekeeper
Joined TEI in 2012

Prof Leon van Vuuren

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

Mary-Jane Ncube

Ethics and Anti-Corruption Specialist
Master of International Development (University of Birmingham)
Joined TEI in 2018

Dantia Richards

*Office Manager
Company Secretary*
Ethics Officer 277
Joined TEI in 2012

Grace Garland

Editorial and Communications Manager
Master of Business Administration
Ethics Officer 737
Joined TEI in 2017

Remofiloe Kobue

Administrative Assistant
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
Ethics Officer 631
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

Lindiwe Mfuleni

Project Administrator
Joined TEI in 2017

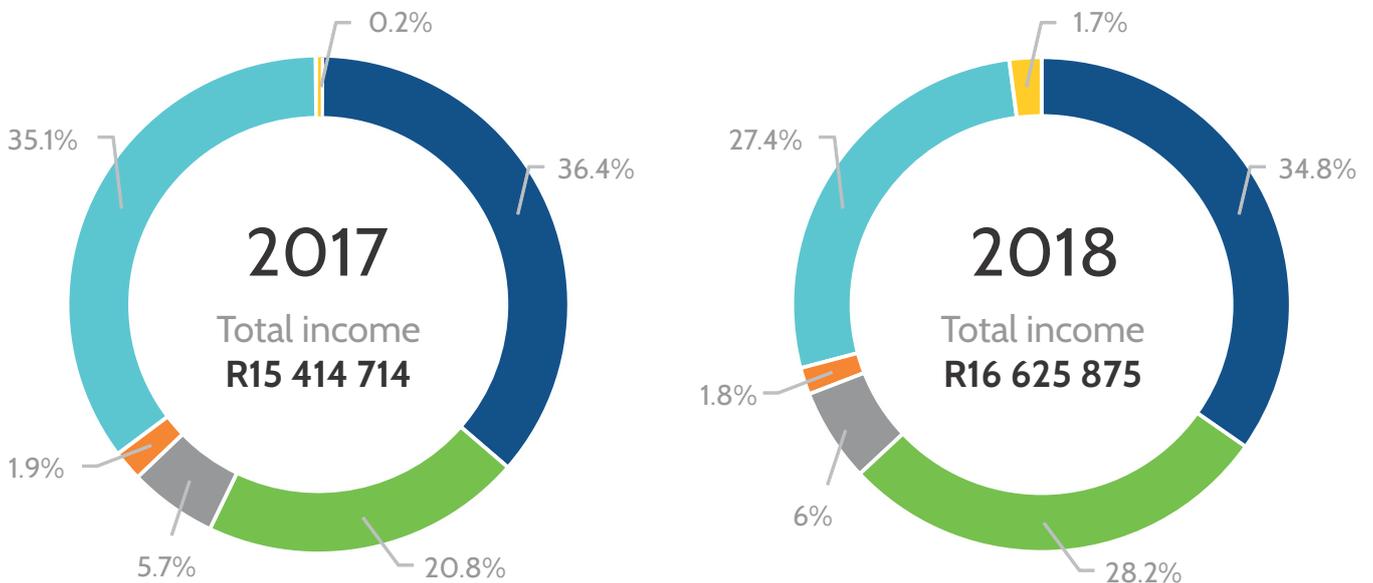
Funding model

The Ethics Institute (known as EthicsSA until 2016) 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 benefit institute and as a social enterprise. In the former role, TEI produces freely-available research and contributes to national discourse and policy making. In the latter role, we render a wide array of ethics-related services to paying clients, and secure funding from large organisations for specific projects. Any profit made is reinvested in the capacity to undertake more research and to render more services and products, in pursuit of our mission 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 activities grew satisfactorily, with pleasing gains from open courses, workshops and conferences. TEI returned a profit of R171,703 in 2018, compared to a loss of R493,111 in 2017. Our financial situation remains stable.



<p>■ Training, advisory, assessments and certification</p>	<p>Income from these core services grew marginally, though they represent a smaller proportion of the total annual income in 2018, which was higher than the 2017 total.</p>
<p>■ Open courses, workshops and conferences</p>	<p>Income from these activities grew substantially and consequently represent a larger proportion of the 2018 total.</p>
<p>■ Subscription fees</p>	<p>Until the end of the 2018 financial year, individuals and organisations could be members of The Ethics Institute. They contribute an annual fee and receive a number of benefits. Income from subscription fees increased in 2018.</p>
<p>■ Donor funding and sponsorship</p>	<p>For each research undertaking, we rely on external funding to cover the associated operational costs, and we also invite companies to be sponsors. These companies receive special benefits, including advertising space at events and on published output. Income from this source was comparable with the prior year.</p>
<p>■ Funded projects</p>	<p>TEI acts as project manager for the Siemens Integrity Initiative's activities in South Africa and Mozambique. After the first round (2010-2015), TEI was successful in bidding for second round funding (2014-2019), and is currently deeply committed to these projects, which involve both public sector and private sector ethics interventions. Income from this source was lower in 2018.</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. Income from this source grew substantially.</p>

Statement of financial position

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

ASSETS	2018	2017
	R	R
Non-Current Assets		
Plant and equipment	145,563	223,827
Current Assets		
Trade and other receivables	3,642,924	3,676,798
Other financial assets	9,109,455	8,725,058
Cash and cash equivalents	3,551,671	3,324,226
	16,304,050	15,726,082
Total Assets	16,449,613	15,949,909
EQUITY AND LIABILITIES		
Equity		
Retained income	14,916,565	14,744,862
Liabilities		
Non-Current Liabilities		
Income in advance	-	198,557
Current Liabilities		
Trade and other payables	864,911	566,342
Finance lease liabilities	32,171	91,632
Income in advance	635,966	348,516
	1,533,048	1,006,490
Total Liabilities	1,533,048	1,205,047
Total Equity and Liabilities	16,449,613	15,949,909

Statement of comprehensive income

	2018	2017
	R	R
Income from operations	16,625,875	15,414,714
Direct costs	(5,004,507)	(5,992,062)
Gross surplus	11,621,368	9,422,652
Other operating expenses	(12,327,943)	(10,742,462)
Operating deficit	(706,575)	(1,319,810)
Investment income	898,515	856,165
Finance costs	(20,237)	(29,466)
Surplus (Deficit) for the year	171,703	(493,111)
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	171,703	(493,111)

NOTE OF THANKS TO SPONSORS



We wish to acknowledge our Tier 1 Grant Sponsors whose generosity helps us strive towards our vision of building an ethically responsible society.



www.tei.org.za

