HUIS VOOR KLOKKENLUIDERS

Guidance in the series Integrity in practice

INTEGRITY OVERSIGHT AND THE ROLE OF SUPERVISORY DIRECTORS

INTRODUCTION AND READING GUIDE

INTEGRITY OVERSIGHT AND THE ROLE OF SUPERVISORY DIRECTORS

An integrity violation within an organisation can have a major impact. It is therefore important for all organisations to develop and implement policies that promote a culture of integrity to prevent misconduct.

Given the importance of integrity policy, internal supervisors, such as non-executive directors and members of the Supervisory Board, would do well to ensure that integrity forms an integral part of their vision for supervision. This does raise the question of what this might look like in practice. This publication aims to inspire supervisory directors to put integrity on the agenda. Additionally, this brochure provides practical tools to support dialogues regarding integrity and the supervision of integrity policy. The brochure is intended for internal supervisors and non-executive directors in both the semi-public and private sectors.

The brochure is primarily intended for supervisory directors seeking practical tools to make integrity part of their supervisory role and to gain greater insight into, and a firmer grip on, integrity within the organisation. However, the content is also very useful for management board members seeking to engage their Supervisory Board more actively in integrity matters.

In practice, internal supervision can be structured in various ways in the public and private sectors. In private companies, there are differences between a one-tier board, where executive and non-executive directors sit on a single body, and a two-tier board, where there are separate Management Boards and Supervisory Boards.

Some topics will naturally be more likely to appear on the agenda of a one-tier board than of a two-tier board. However, the tools and tips included in this brochure can be used for all forms of internal supervision.

READING GUIDE

For the sake of legibility, the term supervisory director in this brochure refers not only to a member of a Supervisory Board, but also to a member of a Board of Trustees or another body with a similar role.

In this brochure, ‘he/him’ also refers to ‘she/her’ and ‘they/them’.

SUMMARY

Integrity policy and the adequate management of the risk of integrity violations are of strategic importance to every organisation, regardless of whether it operates in the private or semi-public/public domain.

THE IMPORTANCE OF INTEGRITY POLICY AND MANAGING INTEGRITY RISKS

Companies that recognise the importance of integrity and take appropriate measures perform better, enjoy greater trust among customers, investors, employees and the public, and have a better reputation in the labour market. An organisation's involvement in an integrity violation can lead to the resignation of management board members or supervisory directors, and may even jeopardise the organisation's continuity.

Internal supervisors, such as supervisory directors and members of a Supervisory Board or Advisory Board, have important duties and responsibilities in this area. These are laid down in national and international legislation and regulations, as well as in general and sector-specific codes. Ideally, organisations will have translated these duties and responsibilities into internal regulations, processes and procedures, which together form the organisation's integrity policy. They are also cultivating a culture where employees and managers feel safe to speak up, where dissent is welcomed, people listen to one another and actual or suspected integrity violations can be reported safely. All of this is essential to conducting business based on integrity. However, it is not always clear what is expected of supervisory directors specifically. Nor is it naturally the case that supervisory directors are able to shape integrity oversight and deal with practical challenges. This brochure helps supervisory directors become more aware of their role and responsibilities in integrity oversight. Above all, we want to offer supervisory directors practical tools.

KEY TAKEAWAYS

In essence, we consider it important for you, as a supervisory director, that:

1. You understand your duties and responsibilities to act with integrity within and by the organisation. You fully recognise the impact you and the management board members have as role models. Being a role model calls for moral leadership and a proactive approach.
2. You have a clear picture of the main integrity risks facing the organisation you supervise. Naturally, this includes knowing how to manage these risks.
3. You are familiar with the code of conduct, whether organisation-specific or sector-wide. Furthermore, you are up-to-date on the regulations, processes and procedures that together form your organisation's integrity policy, including the reporting procedure and your own role in this regard.
4. You have insight into the organisational culture and the extent to which that culture supports integrity-based conduct by management board members and employees.
5. The Supervisory Board places integrity on the agenda regularly, particularly during critical decisions and at least once a year.

CONTENTS

1. THE SUPERVISORY DIRECTOR AND INTEGRITY

On integrity policy, integrity violations and the role of supervisory directors

INTEGRITY POLICY

Every organisation, whether it operates in the private, semi-public or public domain, has a social responsibility arising from its role in society, the products or services it provides, and its relationship with the people and parties with which it works. Given the many interests involved, all organisations will also face conflicting interests and situations in which decisions must be made and priorities set. Organisations have a responsibility to themselves and to their environment to act with integrity in their dealings with stakeholders. This does not happen automatically – it requires deliberate policy. Companies that recognise the importance of integrity and take appropriate measures perform better, enjoy greater trust among customers, investors and employees, and have a better reputation on the labour market. Integrity policy also contributes to social safety and therefore helps to reduce, for example, the risk of absenteeism due to psychosocial stress at work. Integrity policy helps to promote integrity and prevents integrity violations and misconduct affecting society.

INVOLVEMENT IN AN INTEGRITY VIOLATION

An organisation's involvement in an actual or alleged integrity violation can have significant consequences. It can lead to reputational damage, disruption to operational processes and financial damage for the organisation. An integrity violation can also have personal consequences for the supervisory director. For example, they may be held liable for the resulting damage. An integrity violation may also require a management board member and/or supervisory director to resign, and may even jeopardise the continuity of the company. Risks associated with a lack of integrity within and by the company are therefore of strategic importance.

THE ROLE OF SUPERVISORY DIRECTORS

As a supervisory director, you may be wondering what your role is in relation to the integrity policy of the organisation you supervise. Are you sufficiently informed about it? And do you know what role you have in that regard as a supervisory director, both formally and informally?

CONSIDERATIONS

As a check, consider your ability to answer the following questions individually– or, better still, together with your fellow supervisory directors:

1. Are the organisation's values, norms, and expectations regarding integrity and appropriate behaviour clear to everyone in the organisation?
2. Do we understand the extent to which the organisational culture and integrity policy support integrity, and the elements that make up the integrity policy?
3. Have we ensured that signals of possible integrity violations can be reported in a safe reporting climate?
4. Do the Management Board and Supervisory Board have a decision-making process for handling dilemmas, and have they used it in practice?
5. What does the integrity governance look like?

Every supervisory director should be able to answer these and similar questions. If you can, you are probably already well informed about and involved in the integrity policy. If not, there is still work to be done.

2. REGULATORY FRAMEWORK

What requirements are set out in Book 2 of the Dutch Civil Code and the Dutch Corporate Governance Code?

BOOK 2 OF THE DUTCH CIVIL CODE

Book 2 of the Dutch Civil Code contains provisions on the Supervisory Board, but says very little about the duties of the Supervisory Board. Book 2 of the Dutch Civil Code does not contain any direct provisions on integrity supervision.

THE DUTCH CORPORATE GOVERNANCE CODE

For supervisory directors of listed companies, the Dutch Corporate Governance Code (2022, updated in March 2025) is relevant (hereinafter: the Code). The Code is not law[1] and does not apply to all private companies, nor to organisations in the public or semi-public sectors. The Corporate Governance Code nevertheless has a strong standard-setting effect, including for organisations other than listed companies. It is therefore useful to consider the principles of the Code, partly because it often serves as a reference framework for other, sector-specific codes. Examples of sector-specific codes include the Banking Code and the Code for Pension Funds in the financial sector. The healthcare sector (Healthcare Governance Code), housing corporations (Housing Corporations Governance Code) and the education sector (various codes for different types of educational organisations) also have sector-specific codes. In the following sections, we discuss a number of relevant aspects of the Dutch Corporate Governance Code. Supervisory directors are, of course, advised to check whether a specific code applies.

The principles underlying the Code state that good entrepreneurship and good supervision are essential conditions for stakeholders' confidence in management and supervision. *"This includes integrity and transparency of the Management Board's actions and accountability for the supervision by the Supervisory Board."* This general principle is not developed further in the Code. The Code does not specify what should be understood by 'integrity and transparency of the Management Board's actions', or whether and, if so, how you, as a supervisory director, should supervise this.

However, the Code does offer other points of reference: the principles state that the Code is based on the premise that the organisation is a long-term partnership of the various stakeholders involved in the organisation. The Code also states that: *"the Management Board and the Supervisory Board have responsibility for weighing these interests (...)".* This is where the link to integrity is established. After all, acting with integrity requires stakeholders' interests to be taken into account. On this point, the Code states: *"If stakeholders are to collaborate within and with the company, they need to be confident that their interests are duly taken into consideration.."*

[1] The purpose of the Code is, in conjunction with legislation and regulations, to establish a sound and transparent system of checks and balances within Dutch listed companies and, to that end, to regulate the relationships between the Management Board, the Supervisory Board and the general meeting/shareholders. Compliance with the Code is based on the 'comply or explain' principle.

In the principles described in the Code, we find various references or links to integrity. We discuss the relevant principles below.

Risk management and risk management accountability

Principle 1.2, ‘Risk management’, states that the Management Board is responsible for identifying and managing the risks associated with the company’s strategy and activities. In the context of risk assessment, the risks concerned should in any case cover strategic, operational, compliance and reporting risks. Principle 1.4, ‘Risk management accountability’, states that the Management Board discusses the effectiveness of the design and operation of the internal risk management and control systems with the audit committee and render account for this to the Supervisory Board. Supervisory directors’ involvement in, and attention to, integrity risks is relevant in this context because an integrity violation may jeopardise the achievement of strategic objectives and may even threaten the company’s continued existence.

Culture

Principle 2.5, ‘Culture’, states that the Management Board is responsible for creating a culture aimed at sustainable long-term value creation and that the Supervisory Board should supervise the activities of the Management Boardin this regard. The further elaboration states that attention must be paid, among other things, to social safety within the enterprise and to the ability to discuss and report actual or suspected misconduct or irregularities. It also states that the Management Board must draw up a code of conduct and monitor its effectiveness and compliance with it. With regard to the role of supervisory directors, it is stipulated that the Management Board should inform the Supervisory Board of its findings and observations with regard to the effectiveness of and compliance with the code.

Misconduct and irregularities

Principle 2.6, ‘Misconduct and irregularities’, begins with the provision that the Management Board and the Supervisory Board should be alert to signs of actual or suspected misconduct and irregularities. It is further stipulated that the Management Board establishes a procedure for reporting actual or suspected misconduct or irregularities, and take appropriate follow-up action on the basis of these reports. According to Principle 2.6, the Supervisory Board monitors the Management Board in this regard.

The further elaboration states that the Management Board should inform the chairman of the Supervisory Board without delay of any signs of actual or suspected material misconduct or irregularities within the company and its affiliated enterprise. It also stipulates that, if the actual or suspected misconduct or irregularity pertains to the functioning of a management board member, employees can report this directly to the chairman of the Supervisory Board.

Finally, it states that the Supervisory Board monitors the operation of the procedure for reporting actual or suspected misconduct or irregularities, appropriate and independent investigations into signs of misconduct or irregularities, and, if an instance of misconduct or irregularity has been discovered, an adequate follow-up of any recommendations for remedial action. It also states that, in order to safeguard the independence of the investigation, in cases where the management board itself is involved, the supervisory board should have the option of initiating its own investigation into any signs of misconduct or irregularities and to coordinate this investigation

Preventing conflicts of interest

On preventing conflicts of interest, Principle 2.7 states: Any form of conflict of interest between the company and the members of its management board or supervisory board should be prevented. Adequate measures should be taken.. The Supervisory Board is responsible for the decision-making on dealing with conflicts of interest regarding management board members, supervisory board members and majority shareholders in relation to the company.

The elaboration of the principle stipulates, among other things, that the terms of reference of the supervisory board should contain rules on dealing with conflicts of interest and also which transactions require the approval of the supervisory board. It also states that decisions to enter into transactions in which there are conflicts of interest with management board members or supervisory board members that are of material significance to the company and/or to the relevant management board members or supervisory board members should require the approval of the supervisory board., and that such transactions are published in the management report.

IN SUMMARY:

The Corporate Governance Code and related sector-specific codes contain various implicit and explicit requirements for supervision by supervisory directors concerning how to act with integrity within and by the organisation. The more explicit guidelines provide the board with a framework for carrying out its duties and responsibilities, though they require further specification. For example, this may concern the question of which supervisory directors' transactions and interests are material to conflicts of interest. It also requires supervisory directors to inform themselves about matters such as the reporting procedure and to have insight into the organisational culture.

The explicit requirements impose obligations on supervisory directors in relation to parts of the integrity policy, while they may not have sufficient insight into the policy as a whole or the coherence between its various parts.

The following chapters examine the reasons why it is important for you, as a supervisory director, to place the overarching topic of 'integrity' on the agenda in more detail. We do so first from the perspective of your core duties, including your role as the Management Board's employer.

3. INTEGRITY IN THE SUPERVISORY DIRECTOR'S CORE DUTIES

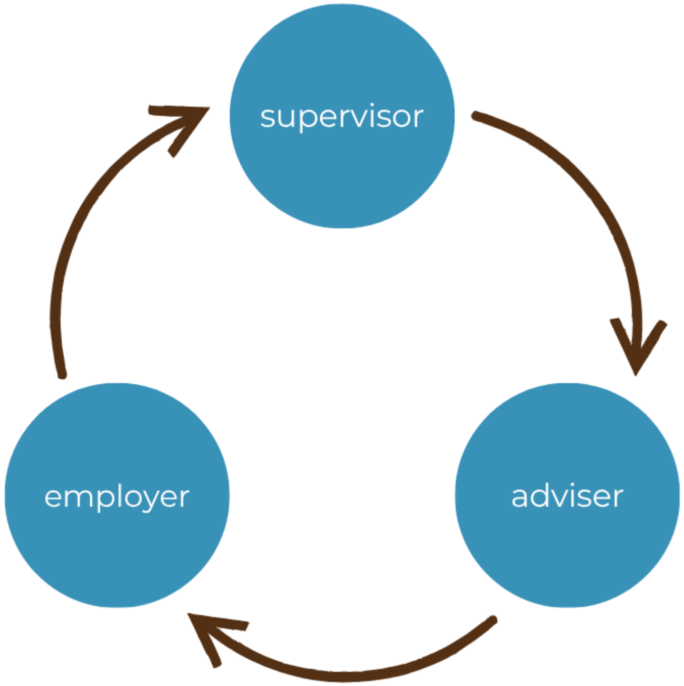
Every Supervisory Board has three core duties.

CORE DUTIES OF THE SUPERVISORY BOARD

Every Supervisory Board has three core duties:

1. Supervising the implementation of the strategy and safeguarding the continuity of the organisation;
2. Acting as an adviser to the Management Board;
3. Acting as the employer of the Management Board.

This chapter explains how each of these roles can be fulfilled in relation to integrity. This is only an initial exploration. The following chapters provide more practical tools to help you fulfil the various roles.



SUPERVISING THE STRATEGY'S IMPLEMENTATION

One of the core duties of supervisory directors is to supervise the implementation of the adopted strategy and the achievement of strategic objectives with a view to the organisation's long-term value creation and continuity.

An integrity violation can pose a threat to the achievement of strategic objectives and, in serious cases, may even jeopardise the organisation's continued existence. It is therefore important for the organisation to have insight into the main integrity risks and to develop policies to mitigate those risks to an acceptable level.

As a supervisory director, it is advisable to be involved in the integrity risk analysis. You can use your broad knowledge and experience to gain insight into the integrity risks that could jeopardise the achievement of strategic objectives or threaten the organisation's continued existence.

ACTING AS AN ADVISER TO THE MANAGEMENT BOARD

Supervisory directors should be available as advisers and critical sounding boards for the Management Board. They may provide this advice either upon request or on their own initiative. Matters of integrity and actual or suspected misconduct are often sensitive. The Management Board cannot always discuss such matters internally, particularly if a situation involves one of the other management board members. It is important that management board members can consult supervisory directors, for example to discuss societal developments and trends, possible integrity concerns and the resolution of dilemmas.

ACTING AS THE EMPLOYER OF THE MANAGEMENT BOARD

The Supervisory Board acts as the employer of the members of the Management Board. This means that the Supervisory Board should engage in dialogue with management board members about their leadership role and the role-model behaviour. Ideally, these discussions should place when there are no issues, to ensure an open discussion, free from judgement and tension. These conversations are foundational for the expected behaviour of management board members. If concerns about a management board member's conduct were to arise at some point, this discussion is based in a shared understanding of expectations.

Should any reports be made on a management board member, it is up to the Supervisory Board to determine what action should be taken. Employees or other stakeholders may contact a supervisory director directly to report a suspected integrity violation. Such reports may also concern a management board member. The supervisory director must know what to do in order to adequately follow up on the signal. An investigation may be necessary, but it is not always the best option. Sometimes a conversation or mediation leads to better results. If it is decided an investigation should be conducted, the Supervisory Board will often commission that investigation. The next chapter provides practical tools supervisory directors can use to fulfil their duties as the Management Board's employer in relation to integrity.

DUTIES, RESPONSIBILITIES AND POWERS SHOULD BE ANCHORED IN REGULATIONS

The duties, responsibilities and powers of the Supervisory Board in relation to the organisation's integrity policy, the integrity of management board members and the follow-up to any reports should be laid down in the Supervisory Board regulations, the Management Board and Executive Committee regulations and/or the reporting procedure.

4. THE SUPERVISORY BOARD'S ROLE IN INTEGRITY MANAGEMENT

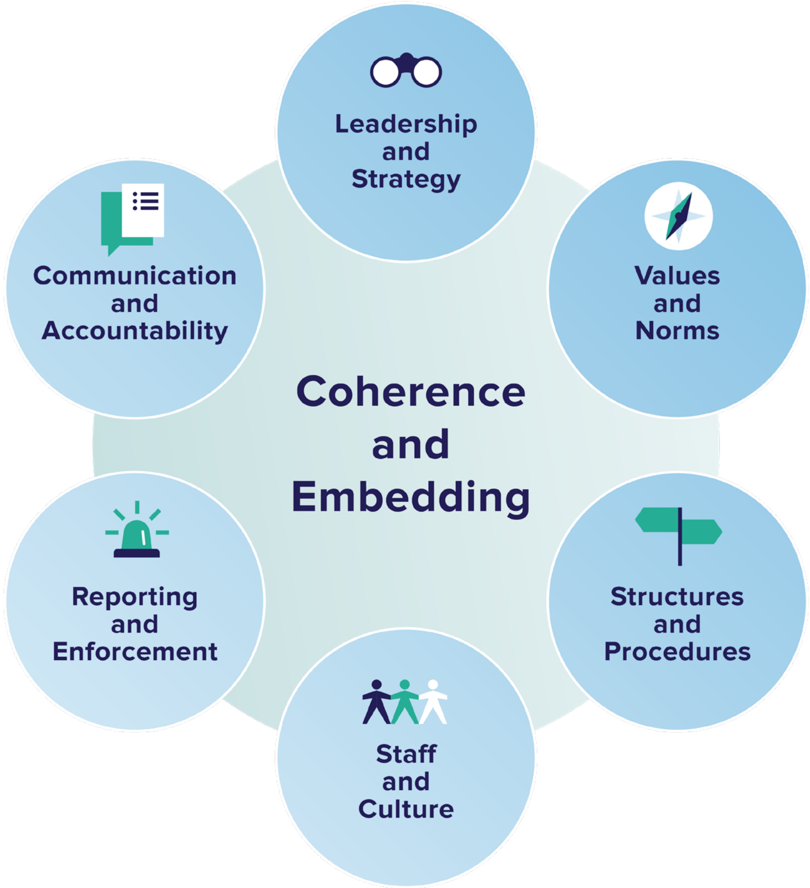
INTEGRITY MANAGEMENT IN SEVEN COMPONENTS

Measures and policies aimed at promoting integrity work best when they reinforce one another. For organisations in the private, semi-public and public sectors, the Dutch Whistleblowers Authority recommends a coherent approach to integrity management consisting of seven components.

Supervisory directors may have both a formal role and a more informal role in the organisation's integrity management. Below, we explain each of the seven components in more detail from the organisation's perspective, followed by tips on how you, as a supervisory director, can fulfil your role.

The seven components of integrity management policy are:

1. Leadership and strategy
2. Values and norms
3. Structures and procedures
4. Staff and culture
5. Reporting and enforcement
6. Communication and accountability
7. Coherence and embedding



LEADERSHIP AND STRATEGY

Ethical leadership, centred on moral values and exemplary behaviour, is crucial to promoting integrity within the organisation. This means investing time, money and attention in integrity. It also means having a clear vision of the culture. An ethical leader is a visible role model, in word and deed.

Exemplary behaviour is crucial. Many leaders believe they are highly approachable and that their behaviour sets an example for their employees. However, employees often experience this differently. To be a positive role model, leaders – and therefore supervisory directors too – must regularly and explicitly communicate the importance of ethics and integrity and set the right example in word and deed.

Ethical leadership becomes visible in strategic organisational decisions. Which partners do we work with? What is our social responsibility? What will we invest in?

TIPS FOR SUPERVISORY DIRECTORS

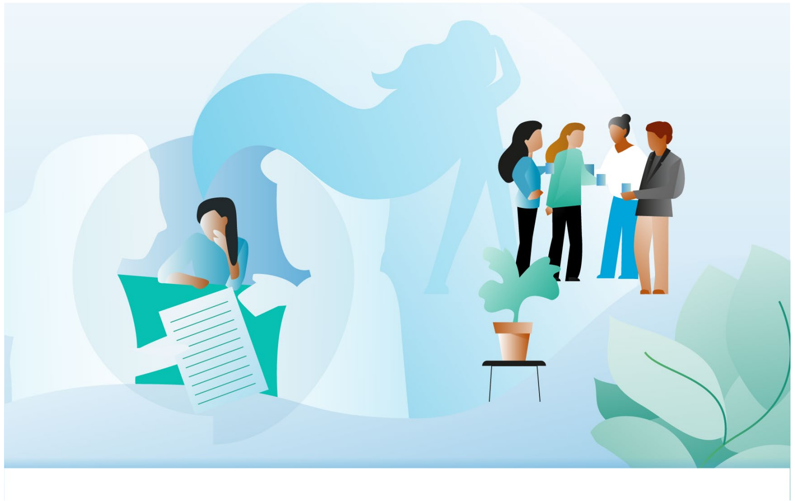
1. Actively embody the standards of a role model. A supervisory director's conduct that conflicts with the norms in the code of conduct undermines the credibility of that code and makes employees feel less bound to align their conduct with it. Set the right example, everywhere and at all times.
2. Check whether the Supervisory Board regulations address integrity and discuss with one another what integrity means to you and how you shape it.
3. Discuss the Management Board's duty to act as role models. For example, discuss whether or not certain privileges should be used. Start these conversations positively and proactively, rather than waiting for signals of inappropriate behaviour. This will helps to avoid any unpleasant or awkward conversations at a later stage.
4. Make 'acting with integrity', including in relation to social responsibility, standing items on the Supervisory Board agenda. Place it explicitly on the agenda at least once a year, and also use values and norms, and the impact on stakeholders, as a check when making important strategic decisions. Incorporate it as a fixed element of the self-evaluation of both the Management Board and the Supervisory Board.

VALUES AND NORMS

Every organisation that values ethics should at least have a code of conduct. This is important because everyone working at the organisation knows what is expected of them. The code of conduct should align as closely as possible with societal expectations. By sharing the values from the code of conduct both internally and externally, the people and parties you work with or for know what your organisation stands for.

Values and norms are not optional. They provide guidance in everyday and difficult situations in the workplace. They form an important benchmark for your organisation. It is important that the actions of the organisation and the conduct of management, supervisors and employees are consistent with the organisation's values and norms.

A good code of conduct is enlightening and inspiring, and supports management and employees in making decisions, whether easy or difficult. A code of conduct thus provides direction for the preferred culture within an organisation. Make sure the code of conduct does not exist only on paper, but truly comes to life in actions and behaviour.



TIPS FOR SUPERVISORY DIRECTORS

1. Familiarise yourself with the code of conduct of the organisation you supervise and/or with sector-specific or other applicable codes. Ask yourself to what extent the organisation's values and norms align with your personal values and norms.
2. Discuss the values and norms with your fellow supervisory directors and the management board members, including what they mean to you. Discuss how you put them into practice in terms of visible conduct. A good example encourages others to follow. In this way, the values and norms come to life. Also, discuss the extent to which the values and norms fit the organisation's strategy.
3. Discuss with the Management Board how the organisation's values and norms have been translated into concrete conduct – what is appropriate and what is inappropriate – and check this during site visits or informal contact with employees.
4. Ask the Management Board to provide information on how they implement and maintain the code of conduct in the organisation, and how they handle situations of non-compliance with the code.

STRUCTURES AND PROCEDURES

The structures and procedures in an organisation have a major influence on employee conduct. Through targeted structural measures, the organisation protects its integrity, for example, by keeping a register of financial interests, a list of sensitive roles and a register of ancillary positions.

The design of the working environment also influences employee conduct. A smart organisational design helps employees to act with integrity. Sometimes this is done through targeted nudges, and sometimes in a simple way. For example, if no cash is in circulation, it cannot disappear.

Integrity risks exist in every organisation. For example, where money is involved, confidential information is available, or where colleagues work out of sight of others. Not every risk can be eliminated entirely, but employees also do not need to unnecessarily be exposed to temptation or risk. As an employer, the organisation has a duty to protect employees against temptations or pressure. An integrity risk analysis gives the organisation insight into integrity risks, allows avoidable risks to be removed and helps ensure a safe working environment. Integrity risks may also emerge from existing instruments, such as the Systematic Integrity Risk Analysis (SIRA) and the Risk Inventory and Evaluation (RI&E).

TIPS FOR SUPERVISORY DIRECTORS

1. Request details on the organisation's various measures and procedures for promoting integrity and mitigating integrity risks. Also, learn more about how these procedures operate in practice. This may be relevant to the Risk Management Statement, a new requirement in the Dutch Corporate Governance Code. The Management Board can, of course, brief you on this, but you should also consult with the Works Council and the confidential adviser.
2. Make sure you are involved in the integrity risk analysis, for example by sharing your views on relevant integrity risks or by providing input on the acceptability of residual risks. You can also put the results of the integrity risk analysis on the Supervisory Board's agenda.
3. The policy on ancillary positions deserves particular attention. Supervisory directors often hold multiple roles. It is advisable to ask yourself whether the combination of roles could lead to an actual or perceived conflict of interest.

STAFF AND CULTURE

Integrity and ethics are about conduct and culture. HRM policy must align with the organisation's values and plays a major role in achieving the desired organisational culture, in which acting with integrity is encouraged.

Good HRM policy takes a broad view of integrity, from recruitment and selection and onboarding, through assessment and remuneration policy and personal development, to exit interviews.

A good organisation has a safe, open culture. In this culture, employees can question and change existing patterns without fear of repercussions. Awareness, communication and dialogue are important parts of this. The organisation can therefore organise these activities regularly.

TIPS FOR SUPERVISORY DIRECTORS

1. Ask yourself whether the variable remuneration policy and the KPIs it contains for members of the Management Board create risks of non-integrity-based conduct.
2. Discuss with the Management Board what activities have been carried out that contribute to a safe and open culture.
3. Learn more about how the Management Board gains insight into the organisational culture. For example, familiarise yourself with the outcomes of employee satisfaction surveys and/or culture surveys, and also inquire after the outcomes of exit interviews.
4. Discuss with the Management Board the extent to which the current culture corresponds to the desired culture, and request information about how the organisation is working to achieve it.
5. Ensure there are contact opportunities between individual members of the Supervisory Board and representatives of the organisation. Consider holding such conversations without the management board members present.
6. Also pay attention to informal signals and use your intuition – even passing remarks or unfinished remarks can provide indications of risks or concerns.
7. Ask yourself whether there is a safe and open culture in Supervisory Board meetings, in which you feel free to express your opinion and ask questions. Make this a fixed element of the evaluation/self-evaluation.

REPORTING AND ENFORCEMENT

In every organisation, things occasionally go wrong. When this happens, careful action is vital. Protection of reporting persons, careful internal investigations and fair enforcement strengthen the integrity of your organisation.

A reporting procedure – also known as a whistleblowing procedure – describes how, where and under what conditions employees can make a confidential report. Also ensure that employees are able to contact a confidential adviser.

Is the organisation prepared for a report, and do you, as a supervisory director, have a role in this? If an investigation needs to be conducted, it is important that this is done carefully. An investigation protocol describes whether, how and when the organisation proceeds to an internal investigation, who will conduct that investigation, and what measures and internal sanctions may be imposed. In this way, the Management Board avoids arbitrariness and increases the likelihood that an internal investigation will be handled carefully.

TIPS FOR SUPERVISORY DIRECTORS

1. Familiarise yourself with the reporting procedure and discuss how it has been made accessible to employees.
2. Discuss when and how the Supervisory Board will be informed about reports and/or the follow-up to them.
3. Familiarise yourself with the confidential advisers' annual report and invite them to a Supervisory Board meeting. Also familiarise yourself with the report of the reporting channel, as required under the WPA, and the anonymised data from the reporting register included in it.
4. Ask yourself whether the number of reports received by the reporting channel is in line with what you would expect. A sudden increase in the number of reports may be cause for concern. However, an absence of reports is not necessarily a good sign either. In that case, discuss whether the Management Board is doing enough to remove barriers to reporting.
5. Discuss the formal role of the Supervisory Board in the reporting procedure. For example, is the Supervisory Board the point of contact for potential reporting persons if the signal concerns a member of the Management Board? And what if the report concerns a member of the Supervisory Board? As a supervisory director, do you know what to do if a report is made directly to you? How would you then deal with confidentiality, and how would you determine what follow-up is appropriate?
6. Familiarise yourself with the investigation protocol and the role of supervisory directors in it. For example, what does it mean if an investigation has to be conducted into a management board member and the Supervisory Board then commissions that investigation?

COMMUNICATION AND ACCOUNTABILITY

A professional organisation communicates about integrity and accounts for it. This helps to make it clear to employees what is expected of them. This also includes transparency about incidents: What does the organisation learn from the incident? What went well, and what would the Management Board like to be done differently next time? Openness about incidents, with due respect for confidentiality, strengthens the organisation's integrity. It is a strong signal that the Management Board takes ethics seriously.

The Works Council has a special task and must approve the reporting procedure. The Works Council must also be informed annually. Good employee participation can encourage appropriate conduct and strengthen integrity.

Good communication and accountability create greater trust. In this way, the organisation builds an ethical reputation. Inform the employee participation body, supervisory bodies, shareholders and elected representatives, customers, clients and citizens. Do this through reports, the annual report and the media.

TIPS FOR SUPERVISORY DIRECTORS

1. Discuss with the Management Board what information is provided to the 'outside world' about the integrity policy and its outcomes. For example, is the code of conduct accessible to external parties via the organisation's website? And can external parties and former employees also use the reporting procedure?
2. Some organisations are required to report on the integrity policy, or parts of it, and its results, including reports made. This obligation may arise from international legislation and regulations, such as the Corporate Sustainability Reporting Directive (CSRD), or from sector-specific regulations or codes. Make sure you are aware of such requirements and how the organisation complies with them. Organisations to which this obligation does not apply may, of course, also mention this in their annual report. Discuss with the Management Board what information is made public.
3. Significant integrity violations involving the Management Board often attract media attention. In that case, it is advisable to have a communication protocol. Also, consider whether you need to be assisted by a crisis communication adviser.

COHERENCE AND EMBEDDING

Building a culture of integrity requires a sustainable and targeted approach. The efforts must reinforce one another. Ideally, the organisation has an integrity plan that is regularly evaluated by the Management Board and supervisory directors.

The Management Board may appoint an integrity officer – compliance officer, ethics officer or integrity coordinator – who monitors coherence within the integrity policy, identifies risks and coordinates, monitors and adjusts those efforts.

Many different functions within the organisation are involved in integrity. This does not only concern the integrity officer, but also, for example, HR, the secretary to the Management Board, procurement and legal affairs. The Management Board would be well advised to identify all integrity actors, or have them identified. Who is working on ethics? The organisation can form a collaborative integrity team.

TIPS FOR SUPERVISORY DIRECTORS

1. Inquire after the integrity policy/infrastructure and the evaluation of how it operates.
2. Discuss how integrity governance is organised. For example, is there a portfolio holder on the Management Board and/or the Supervisory Board? Or, is integrity a shared responsibility? Both approaches have advantages and disadvantages. Also, consider the extent to which safeguarding integrity factors into discussions that the Supervisory Board, in its role as employer, has with the Management Board member.
3. If no integrity officer has been appointed, discuss the desirability of doing so. Otherwise, invite the integrity officer to a Supervisory Board meeting to share their experiences and to report on the integrity policy.
4. Evaluate what role the Supervisory Board has, or has had, in safeguarding integrity. For example, are explicit provisions on integrity included in the Supervisory Board regulations and, if so, are they being complied with?

5. INTEGRITY THEMES

Suggestions for a good conversation about integrity

DIFFERENT STAKEHOLDERS AND THEIR INTERESTS MAY CREATE DILEMMAS

All organisations deal with a wide range of stakeholders, sometimes with conflicting interests . Integrity issues and ethical dilemmas may arise in relation to any of these themes when the Management Board has to make difficult choices for which the outside world may call the organisation to account. Supervisory directors would be well advised to discuss in advance with the Management Board those themes that may be decisive in stakeholders' assessment of whether the organisation is acting with integrity. The supervisory director can also ensure that moral dilemmas are resolved through a careful decision-making process.

It is impossible to identify in advance all possible themes that might be important to the organisation's integrity. Let alone form a judgement on them in advance. However, supervisory directors can enter into discussions with the Management Board on the basis of a number of relevant themes. These include, for example, themes on which organisations have recently been called to account, on which legal proceedings have been initiated and/or on which interest groups have spoken out. We advise supervisory directors to start a conversation about the following themes:

1. The impact that the (planned) product or service supplied by the organisation has on stakeholders or on society in general. On the two ends of the spectrum, your product or service can either contribute to a societal goal or undermine it.
2. The degree to which the organisation and its activities are sustainable. For example, are sustainability requirements taken into account when production processes are being innovated? What measures does the organisation take to reduce its own footprint?
3. The extent to which the organisation acts as a 'good employer'. For example, is attention paid to human rights - including in foreign branches - diversity and inclusion, and physical and social safety? Does the organisation sufficiently fulfil its duty of care towards employees in relation to psychosocial stress at work under the Working Conditions Act?
4. The extent to which the organisation acts as a responsible partner in the value chain. Consider, for example, paying a fair purchase price and complying with regulations on competition, corruption, money laundering and export controls.
5. Geopolitical developments and the organisation's position in them. Does the organisation want to take a position on international conflicts? Does the organisation want to distance itself from criticised regimes or countries where human rights are violated? How does the organisation deal with possible polarisation within the organisation?
6. The responsible application of AI, the broader use of technology, and data protection. If AI is used in certain processes, is there sufficient knowledge about how the algorithm works, including possible bias? Consider, for example, automated processes for screening job applicants. And what does the organisation do to safeguard client/patient data? Are the measures against misuse sufficiently robust, and do subcontractors to whom data is provided also have robust measures in place?

7. The organisation's tax ethics. When applying tax structures, does the organisation always operate at the limits of what is permissible, or does it use another method to determine what constitutes an acceptable tax burden? Or, for example, is the organisation established in a particular country solely because of the tax climate?
8. The organisation's use of subsidies and budgets and the distribution of the organisation's profit, including dividend distributions and profit-dependent remuneration. Or, in the case of a charity or public organisation, how is overhead viewed and what is done with possible underspending or overspending?

The aim is not to prescribe the strategy to be followed or the choices to be made. As a supervisory director, you do not occupy a seat in the management board member's chair. What matters is that supervisory directors have the right conversations with the Management Board about such themes, in order to grasp the attitude of the management board members, the values they pursue and the way stakeholder interests are taken into account when important decisions are made.

6. IN SUMMARY

A good conversation about integrity does not have to be difficult

After reading this brochure, you, as a supervisory director, will probably have gained sufficient inspiration and practical tools to have a conversation about integrity and fulfil your role.

Talking about integrity may feel uncomfortable at first, but with the tips and practical tools provided, it does not have to be difficult. A good conversation about integrity is also about personal values and norms, enabling conversation partners to get to know one another better and gain greater understanding of each other's views. Talking about integrity therefore helps to deepen relationships and creates greater openness within the Supervisory Board and in discussions with the Management Board. That is extremely valuable when push comes to shove.

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