

Field Experience Project:

Code of Business Conduct and Ethics of Sonic Corp. and Subsidiaries

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Individual, Organization, and Society

September 22, 2013

### Summary

In its corporate document, *Code of Business Conduct and Ethics of Sonic Corp. and Subsidiaries*, Sonic Corp, Oklahoma City, Oklahoma (also known as Sonic Drive-In) outlines its corporate ethics policies. This document is required to be read and signed, once a year, by directors, officers, and corporate employees, in essence stating that they understand and agree to abide by the behavior outlined in the *code of conduct*. This document is thorough and covers many areas. Each section outlines who is bound by the *code of conduct* (in certain cases this extends beyond employees of Sonic Corp. to their immediate family and even vendors), clear boundaries of behavior, what to do if there is an exception or a circumstance that may skirt the edges of the *code of conduct*. Finally, this document clearly identifies the *Sonic Whistleblower Hotline* and four separate ways to contact the hotline when there is a need to address an ethical concern (phone, email, postal mail, and direct contact with the Chairman of the Audit Committee of the Board, Gene Rainbolt).

### Analysis

I was very impressed with Sonic's corporate code of conduct and ethics document. Though it was obviously written by their legal department, the "legalese" is limited, making the entire 10 page document easy to read and understand in layman's language. Also, the document is formatted in such a way as to be easy to follow. The *code of conduct* is divided into 9 distinct sections along with *definition's* and a *signature page*. I believe that Sonic Corp. is sincere in its desire to be above reproach in matters of following the law and ethical behavior. They seem, also, to care about the well-being of Sonic employees. By outlining clearly not only expectations

of ethical and legal behavior but explaining not only what is expected, but why it is expected and how this behavior reflects the corporate culture of Sonic Corp.

The document is very specific. It covers nine areas with subsets, when necessary. First, it covers, *Conflict of Interest*, specifically regarding gifts, meals & entertainments, premiums and trips from vendors, product samples, personal loans, employment of family members, and even director relationships (such as boards). Sonic Corp. states the need for employees to avoid or at the least limit ways in which the “interests or benefits that may make it difficult to perform his or her work for the Company objectively and effectively.” Other sections covered include, *Corporate Opportunities, Confidentiality, Insider Trading, Compliance with Laws, Rules, and Regulations, Books and Records, Protection and Proper Use of Company Assets, and Reporting of Any Illegal or Unethical Behavior*.

Sonic Corp. is not just creating an idyllic document to cover their respective corporate rear-end. They address gray areas as well, acknowledging that there are sometimes exceptions or areas that may not be clear. To address these areas, Sonic Corp. has set up policies that include gaining permission for certain things from Senior Management, or in the case of Senior Management, they should contact the Chairman of the Audit Committee for approval (for things such as trips invited by vendors, etc.). Further, if, after following all the guidelines, there are still questions, the document includes the phrase “the legal department can assist you.”

I feel Sonic Corp. is making a strong attempt at addressing areas of ethics and good corporate citizenship through the use of this document. It is thorough, explaining expected behavior ranging from not accepting gifts from vendors, to bribery with foreign companies, back to the proper use of company property (don't steal the post-it notes, please). What I most appreciated was Sonic Corp. doesn't just outline the “dos and don'ts” of ethical behavior. They took the time to explain *why* Sonic behaves in such a manner, why an unethical or illegal act is determined to be unethical or

illegal (for example, the way *insider trading* is explained), and what to do in a variety of circumstances. If you aren't sure, you contact Sr. Management, the Legal Department, the Chairman of the Audit Committee, or even the Sonic Whistleblowers Hotline. Still, a couple of times in the document, Sonic Corp. states that they depend on their employees to use their "good judgment." To me, this indicates confidence in their directors, officers, and corporate employees and the desire to provide them with the best tools available because it is "in the best interest of the Company and the individuals themselves."

#### References

Sonic Corp. (Oct 15, 2008). Corporate Governance. *Code of Business Conduct and Ethics*. Retrieved from: <http://files.shareholder.com/downloads/SONC/2663625488x0x124158/19b4354c-23cf-4b2d-a290-8c60c43df9b3/Code%20of%20Business%20Conduct%20and%20Ethics%20%28PDF%29.pdf>