

**A Guidance Document for the Implementation of the Ethics Compliance Standard 2000
(ECS2000 version 1.2)**

Reitaku University | Business Ethics and Compliance Research Center | 2001

Part One | ECS2000 Guidance Document

Preface & Note on Document Structure

This document is intended as a guide for organizations attempting to introduce an ethical-legal compliance management system based upon the ECS2000 (version 1.2).

This document consists of two parts. Part one is a commentary on the ECS2000. Each section in this commentary is comprised of the original text of the ECS2000 denoted by a number which corresponds with the structure of the ECS2000 and setout in a serif typeface and a guidance commentary denoted by the letter “G” and the section number. The guidance commentary is setout in a sans serif typeface to distinguish it from the original text of the ECS2000.

Part two presents a model (sample) of a control document for use in an organization introducing the ECS2000. The sections presented within this model control document are annotated with a series of notes explaining their meaning and important points for consideration.

This document is an authorized translation of the original Japanese language guidance document produced by the Reitaku University Business Ethics and Compliance Research Center (r-BEC) and originally published by the Reitaku University Press. Every effort has been made to ensure that this translation is as faithful to both the text and sentiment of the original Japanese as possible. All shortcomings in the text and its presentation remain the sole responsibility of the translator.

Further details regarding this guidance document may be obtained from the R-bec internet homepage at the following URL:

<http://ecs2000.reitaku-u.ac.jp/>

It is hoped that this guidance document will prove useful to any organization attempting to introduce or maintain an ethical-legal compliance management system.

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o. Introduction

o.1 The world economy has entered an age of globalization. With this, the actions of organizations will require greater integrity and transparency than in the past. This requires that organizations establish internal structures to ensure the propriety of these actions. It is through these ac-

tions, and by establishing the structures for their realization, that organizations gain the trust and recognition of the market, and are able to contribute to the further, sound growth of the global market.



G o Preface

G o.1

Why do we need an ethics compliance management system based upon the ECS2000? There are basically four fundamental reasons for this as follows:

The first reason is in order to create a healthy market and to ensure its ongoing growth. In itself this objective may hold little interest for individual corporations and other organizations. However, imagine the situation which would arise where individual corporations are not properly managed, seek only short-term profit, and constantly display unfair or improper actions. In this situation the market may lose control and even cease to function. The economy may fall into a vicious cycle of deterioration, and instead of realizing profit; organizations may find their very existence in danger.

Secondly, ethical-legal compliance in management is beginning to be recognized by the market as a source of competitive advantage. The prevailing trend in the market is towards rewarding corporations which implement systems for the assurance of equitable behavior, and for the severe punishment of corporations which display the opposite. For instance, many nations have now implemented laws prohibiting payoffs for officials of foreign governments, and moves to restrict the power of monopolies are gaining strength. The spread of socially responsible investment is yet another factor which is transforming ethical-legal compliance initiatives into a direct competitive advantage within the market.

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o.2

o.2 Mr. Kofi Annan, secretary general of the United Nations, speaking to leaders of global corporations at the 1999 World Economic Forum in Davos, Switzerland, called for corporations to implement ethical systems covering a comprehensive range of issues including human rights,

labor and the environment. This statement comes as yet another indication of the growing demand throughout international society for the establishment by corporations of systems of ethics, thoroughgoing legal compliance, and social accountability.

G o.2

The third reason lies in the fact that both the market and society at large are demanding the implementation of a new set of values. This is represented by the statement made by the United Nation's secretary general, Mr. Kofi Annan. Behind this renewed emphasis on values is the increasing interest in ethics being shown both in the market and society at large.

The reason society is demanding renewed ethical behavior on the part of corporations and other organizations is because of the influence that these entities exert over society as a whole. We see this in instances where consumers suffer often irreparable damages and injury as a result of the purchase and use of flawed goods. Communities can suffer disastrous consequences from the mishandling or misuse of dangerous chemicals. Even the indirect support by corporations of authoritarian regimes in foreign nations can result in the repression of the individuals living in that country. Corporations are increasingly expected to assume the responsibility that comes with such a degree of influence and to explain their actions to society.

o.3

o.3 In addition to developments in the market and international society, individuals working in corporations and other organizations are seeking jobs of which they can be proud. Most people do not want to work while being involved in wrongful activities. They will question and seek the reform of any illegal dealings and business

practices in their own workplaces that violate their sense of good conscience. In principle the workplace should be a place of “self-realization” and not one where individuals must suffer from the emotional conflict of acting against their own consciences.

G o.3

The fourth reason lies in the need to create a workplace with which individuals can be proud to be associated. If we were to ask ourselves why we work at all, the first response would most likely be “in order to earn a living.” This does not mean, however, that simply receiving a wage is all that we want. Most people also perceive work as a means by which to develop their latent talents, and as a vehicle by which they can contribute to society at large. What would be the response, then, were an individual to be forced to commit an act which went against their principles? Their motivation to work and loyalty towards their organization would surely suffer. Introducing and maintaining an ethical-legal compliance management system is therefore, an integral part of creating a workplace in which people can draw meaning and develop.

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o.4

o.4 Predicated upon the above, this international standard represents a structured management system designed from the perspective of ethics with the aim of improving the work environment of the individuals who constitute organizations,

complying with the demands of international society, and ensuring that corporations and other organizations are able to attain the trust and recognition of the market.

G o.4

The “management system” referred to here indicates a system built up within an organization with the intention of realizing a certain set conditions and standards.

It follows from this, therefore, that as a management standard, the ECS2000 is not some theoretical abstraction which must be observed at all costs – but a standard built upon the premise that organizations must strive to achieve ethical management in practice.

0.5

0.5 The aim of this standard is to enable organizations to identify in advance and take pre-emptive action against dubious dealings, illegal and unfair business practices of their own volition – with the full cooperation of their internal members – without reliance upon external whistle blowing by their own members, legal prosecution, or the boycotts and criticisms of third parties. In order to achieve this it is necessary to:

a) establish and administer a system of legal compliance, and

b) create the internal systems necessary for collecting the opinions and ideas of members and external stakeholders and realizing the particular ethical norms and philosophy ideal to the organization.

These two systems will be referred to in this standard as:

a) the “mechanism of compliance” and

b) the “mechanism of enhancement.”

G 0.5

What is it that individual organizations actually seek to achieve by the introduction of the ECS2000? It is the development of integrity, the creation of systems for the achievement of ideals and principles, and the realization of the capacity of an organization to identify and achieve their own ethical objectives. The ECS2000 organizes these features as two separate yet related mechanisms.

The first mechanism – the “*mechanism of compliance*” – is designed as a concrete system for the observation of laws and regulations. This mechanism involves the organization in, for instance, locating and defining practices and procedures which are not in accord with the letter of the law, and in their reforming or even eradicating these practices. Organizations, when formulating an ethical-legal compliance management system upon the basis of the structures set out in the ECS2000, may define their own ethical policies in a manner which best suits their needs and particular situation.

If the intention is to concentrate upon compliance for the foreseeable future, it is perfectly acceptable for an organization to concentrate its efforts on the mechanism of compliance by conducting research into the laws and regulations which apply to its activities, and by preparing an ethics policy and an ethics plan. Due recognition will be given to an organization which, as part of its strategy, focuses its activities upon the basis of this narrow definition of compliance.

Going beyond legal compliance, the “*mechanism of enhancement*” is a system for the attainment of some form of ethical ideal or plan. The actual content of the ethical ideal or plan referred to here is to be determined by the respective organization involved. For instance, while one organization may place an emphasis upon the interests of their customers, another may choose to focus upon contribution to the local community. The ECS2000 is designed to respect the independence of organizations which choose to set their own plans in such a manner. However, where such ethical policies and plans are proposed, it is required that the organization makes concrete efforts in order to realize them. In other words, it is not enough for an organization to simply announce that it has introduced and will pursue an ethics plan.

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The plan must actually be followed. It is for this reason that the ECS2000 calls for the construction of a mechanism of enhancement in addition to the mechanism of compliance.

o.6

o.6 The basic framework of this international standard is illustrated in Exhibit One. In the first stage the policy of ethics to be pursued by each organization is clarified and the code of ethics (or compliance manual), planning and internal regulations required to realize this policy are developed.

Following this, in the second stage, an individual or administration to bear the prime responsibility in ethical- legal compliance is identified, and training and communication initiatives are carried out under their direction.

Third, the organization undertakes independent audits to ensure that the organization's members correctly understand the ethics policy and code of ethics, and that the office of ethical- legal com-

pliance and the reporting/consulting system are functioning in an appropriate manner.

Fourthly, based upon the results of this audit, potential reforms are identified and implemented. This would include, for example, revisions of the code of ethics, improvement of education programs and reporting/ consulting systems.

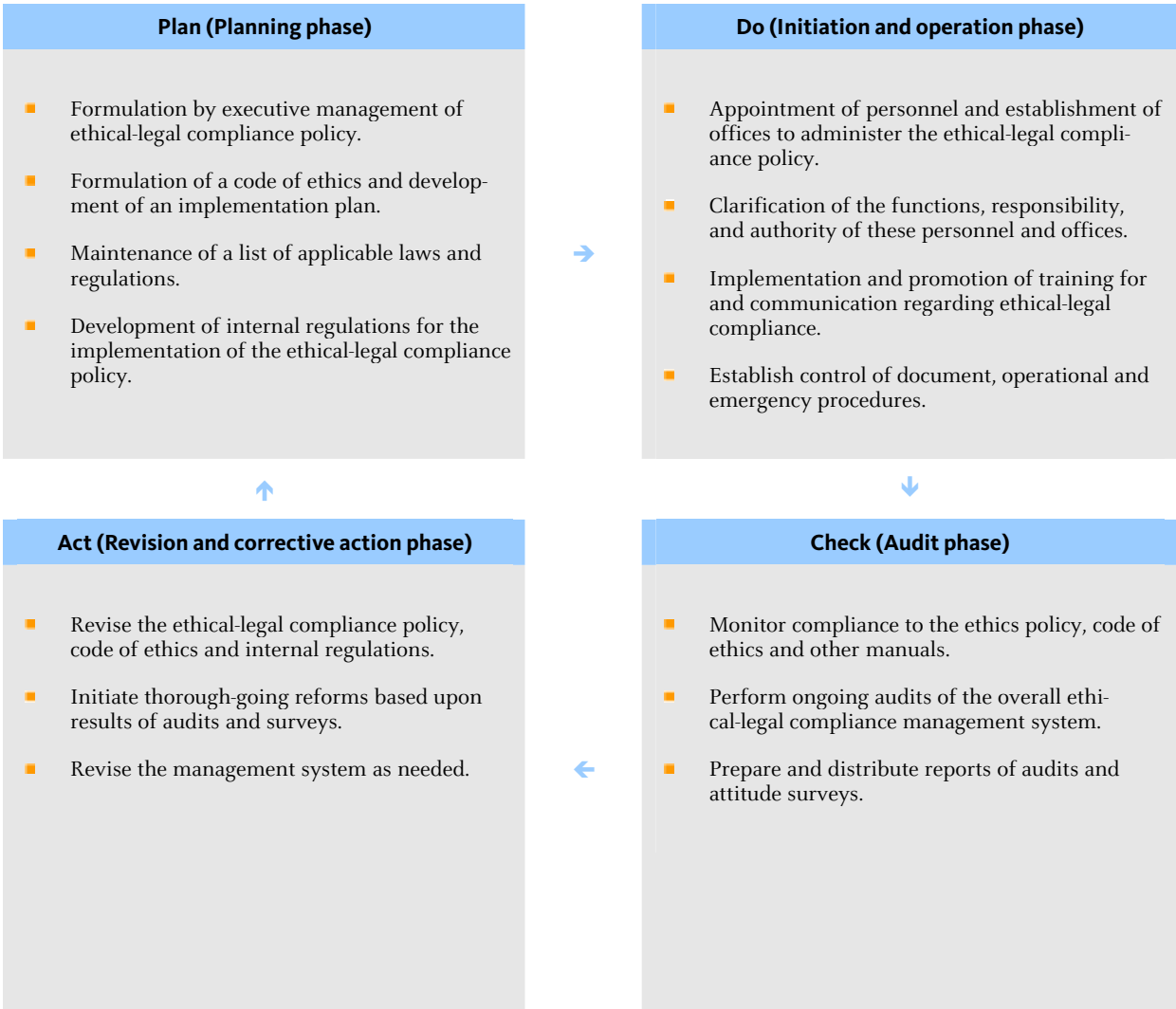
The efficacy of such an ethical- legal compliance management system is dependent upon all departments and levels within the organization complying with and implementing the organization's ethics policy and code of ethics, and in the initiative taken by all members to jointly resolve the organization's problems. A factor of particular importance is the commitment of executive management.

G o.6

The actual structure of the ECS2000 is shown in exhibit 1. A detailed exposition of the structure will be presented in section 4.

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Exhibit 1: Ethical-legal compliance management system framework



o.7

o.7 This international standard outlines a general framework for an ideal management system, however, its purpose is to promote the performance of ethical-legal compliance – this being the creation of an organization with effective com-

pliance and enhancement mechanisms. It is therefore important to avoid constructing a complex system, which ignores the actual level of integrity.

G o.7

The ECS2000 emphasizes actual achievement in ethical-legal compliance. Because of this, it is important that the management system and processes which comprise it be constantly evaluated in terms of performance and subject to ongoing improvement.

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o.8

o.8 The main goal of this international standard is to promote and assist organizations in implementing ethical legal compliance systems in accord with the principles and ideals of “human rights and freedoms,” and “co-prosperity” within the market economy. Human rights and freedoms are the basic preconditions of democracy, without which a market economy is impossible. However, the pursuit of human rights and freedoms alone will not automatically lead to the realization of a fair society. It is important that the ideals of human rights and freedoms be augmented with a clear understanding that an indi-

vidual can not enjoy a rich standard of living without the cooperation of others. The way of thinking derived from an awareness of being interdependent is referred to here as co-prosperity. Co-prosperity is the principle whereby organizations respect the interests of themselves and of other parties in their decision making and actions, and whereby organizations strive to promote the welfare of third parties. At the same time this requires the organization to take positive measures to limit the unnecessarily detrimental effects of its actions in the market and society.

G o.8

The ECS2000 respects the individuality of corporations and other organizations. It follows therefore that each corporation and organization is responsible for producing whatever ethical policy, plan or compliance manual it sees appropriate to use. It is important that the ethical-legal compliance management system be constructed in accordance with the respective values and traditions of each organization, as well as the scope and area of its activities. It is necessary however, to address the following two points when preparing these ethical policies and plans. These two points are *“human rights and freedoms,”* and *“co-prosperity.”*

The first point of “human rights and freedom,” is the basic principle of democracy. Without this, a sound economy is not possible. For instance, in order to protect the interests of the consumer it is necessary that the production and sale of goods or the provision of services be conducted freely. Where certain individuals unfairly control the production of goods or the content of services, or manipulate prices, the interests of the consumer are undermined and social equity itself is challenged. Failure to protect an individual's right to work freely as they please will also quickly undermine social equity. The same is true for the preservation of human rights. Where the rights of employees are not respected, the rights of consumers also come to be treated lightly, as faulty products, and accidents as a result of their use abound. Great damage to our social and physical environments can easily result where the rights of local citizens and future generations are ignored.

Simply pursuing human rights and freedoms alone however, is not enough to bring about a fair society. This is because it is very easy for the rights and freedoms of one individual to conflict with those of another. It is also possible that the interests of individuals who do not actively protect their own rights may be undermined. It is in order to propose a practical solution to these problems which are inherent in the ideals of human rights and freedoms that the ECS2000 presents the additional ideal of “co-prosperity.”

Co-prosperity is a practical way of thinking aimed at finding the best course of action which allows an organization to consider both the direct and indirect effects of its decisions and actions for all those concerned. This does not mean however that organizations are expected to find the perfect solution to every problem. What is expected here is that the organization will consider the position of all stakeholders involved and locate the "most agreeable" course of action, or, where this is difficult, to at least seek that course of action which is "most acceptable" to all concerned. Moreover, in hindsight, where an organizations actions have proven to be inadequate, they are required to redress and correct the situation. In this context co-prosperity refers to a pragmatic approach whereby an organization actively seeks fair and constructive solutions to problems which are acceptable and beneficial to society as a whole, and to ensure the well-being of future generations.

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o.9

o.9 This international standard requires that organizations, taking these two principles as fundamental principles, abide by their own ethical standards and comply with all relevant laws, regulations and other rules which may be appli-

cable. The legal compliance component of the ethics policy should be based upon laws and regulations which are of particular importance to the organization in light of its respective scale, industry, and condition.

G o.9

By requiring organizations to give a concrete expression of their own ethical-legal compliance policy in the form of an ethics policy, the ECS2000 seeks to address these two principles. This does not mean however, that the two principles of human rights and freedom and co-prosperity must be included explicitly in this ethics policy. It is sufficient that these principles underpin the ethics policy and that it be formulated in accordance with these principles.

o.10

o.10 This international standard is not meant to compel organizations to make social contributions or sacrifices. However, organizations which formulate their own ethical ideals or standards should strive to create organizational climates which promote the free discussion of implemen-

tation methods and the development of concrete systems for their actualization. These initiatives are collectively referred to here as the mechanism of enhancement, and they are intended to support the mechanism of compliance.

G o.10

As already discussed above, in order to utilize the ECS2000 organizations must develop their own ethics policy. The actual content of this policy, however, is left to the discretion of each organization in order to respect their individuality. For instance, making a concentrated effort in legal compliance will require an organization to produce an ethics policy, plan, and compliance manual in accordance with this. In this case particular effort is put into the construction of a mechanism of compliance.

In addition, if the organization should seek to pursue its own ethical standards and ideals, it must include them in its ethics policy and implementation plans and create a system within which a mechanism of enhancement may function. As mentioned in the above requirements, the ECS2000 does not demand that organizations make social contributions and sacrifices for the betterment of society. Should the organization itself wish to pursue such goals however, the preparation and addition of concrete systems necessary for its achievement must be added.

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O.11

o.11 It is not obligatory that the ethical legal compliance management system set out in this international standard be established separately from existing management systems. Where the

use of existing management systems is deemed appropriate by the organization, the organization may use these systems as they are or modify them in order to suit this international standard.

G o.11

When constructing an ethical-legal compliance management system it is essential that the system is designed be both effective, and yet not detract from the organizations ability to function normally. In the case of a private corporation, the original goal of the organization is to provide the market and society with goods and services using a method and at prices which are both fair and appropriate. Ethical-legal compliance initiatives should serve to support this goal, and must not come to interfere with it. It is because of this that the ECS2000 has been designed to accommodate existing structures within the ethical-legal compliance management system.

1. Scope

This international standard sets out the requirements for establishing an ethical-legal compliance management system aimed at ensuring compliance with applicable laws and appropriate industrial rules, as well as with the pursuit of the ethical standards and ideals held to be important by the organization.

The requirements of this international standard apply to the following organizations.

a. Organizations which are attempting to undertake their business in a fair and just manner, and are aiming to administer, maintain and improve their own policy of ethics, implementation plan, internal regulations and other procedures.

b. Organizations whose policy of ethics, code of ethics and other ethical-legal compliance management systems are in accordance with the requirements of this international standard and which are willing to publicly declare this fact.

c. Organizations which, in consideration of the scope of their social influence, are willing to increase their transparency and social accountability.

All the requirements detailed in this international standard are applicable to corporations and any other form of organization regardless of location, scale or activities.

G 1. Scope

What sort of organizations should make use of the ECS2000, and what approach is required of an organization that wishes to make use of the ECS2000?

Organizations can be divided into three types according to their objectives for introducing an ethical-legal compliance management system. Firstly, there are those organizations which desire to manage their affairs in a *"fair and appropriate manner,"* secondly there are those which seek the *"competitive advantage derived from maintaining an ethical-legal compliance management system,"* and thirdly there are those organizations which, realizing the extent of their social impact, *"seek to avoid detrimental influences and control risks."* The following section will look at each of these objectives in turn.

1. Maintenance of fair and appropriate management.

In this context *"fair"* is taken to mean "seen as acceptable by third parties," or "held in high regard by third parties." *"Appropriate"* is taken here to mean "adequately efficient and rational so as to permit profitability." The first group of organizations is therefore comprised of those which wish to manage their affairs while fulfilling these two requirements.

2. Ethical-legal compliance as a competitive advantage.

Supplying the market with necessary goods and services, in accordance with the rules of fairness, and thereby gaining the trust and respect of society is the necessary precondition for the survival of any corporation. In this sense it can be said that an ethical-legal compliance management system is something which will be rewarded by the market and society as a whole. It is often the case, however, that this assumption which is generally supported on the long-term is not the case when seen over the

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short-term. It is possible, for instance, for the merchant who falsely advertises their goods, the builder who secretly uses inferior materials, and the factory which dumps its wastes so as to avoid the cost of safe disposal, can, should their actions go undiscovered, yield greater profits than their more honest competitors.

In order that corporate ethics be rewarded on the short-term, the ECS2000 Project, which was formed in order to develop the ECS2000, has called upon organizations introducing and using the ECS2000 to actively disclose and publicize their actions. The reason for this is that such public statements will help translate ethical-legal compliance initiatives into competitiveness within the market. In this way, organizations using the ECS2000 can gain the benefits of their investments in ethical-legal compliance in the form of enhanced competitive advantage.

Levels of public disclosure.

Level 1: Announcement of introduction. An announcement that the organization has introduced an initiative based upon the ECS2000.

Level 2: Announcement of initial stages. An announcement that the organization intends to redress internal problems and shortcomings using the ECS2000 as a checklist.

Level 3: Announcement of re-engineering. An announcement that the system for self-evaluation based upon the ECS2000 has attained a viable state.

Level 4: Third party accreditation. Seeking and attaining the accreditation by a third party of the organization's ethical-legal compliance management system.

3. Social responsibility and risk management.

The third objective for an organization using the ECS2000 is to realize the extent of its influence upon society and assume the appropriate responsibility and, upon realizing the potential risks associated with its influence, seek the rational means for its control. Social influence here is not limited solely to the economic and political influence which is derived from the scale of the organization's activities. Technological advancement, globalization, the development of information networks, and the nature and potential risk of materials used, are just a few among many factors which give organizations, regardless of their scale, surprising levels of influence over society. This third group consists of organizations which realizing this fact, strive to manage their affairs in a responsible manner.

2. Normative references

No normative references are set at this time.

G 2. Normative References

Organizations in their own guidelines should indicate the "ECS2000 v1.2" here.

Any other management standards which are being introduced at the same time should also be noted here.

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3. Definitions

3.1 Business ethics are defined in practice as including all activities carried out within an organization in order to ensure the fair and responsible behavior of that organization. This definition is intended to include all organizations and is not limited exclusively to business corporations. The meaning of this includes the respect of social values and does not end with obligations of legal compliance. Business ethics will hereafter be referred to as ethics.

3.2 Ethical standards (ethical norms, ethical principles, etc.) are defined here as the system of values which an organization pursues under its own volition, and not to the unilateral and external demands of laws and regulations. For example, an expression of values such as “to behave with responsibility in society as a public institution” will be taken as an ethical standard.

3.3 Legal compliance is defined here as all the internal activities of an organization made in order to comply with the laws and regulations applicable to their business and to the goods and services in which they deal.

3.4 Ethical-legal compliance is defined here as the compliance with applicable laws and regulations (including social values) and all internal activities made in order to implement the ethical standards which an organization has established upon its own volition.

3.5 Policy of ethics (ethical-legal compliance policy, etc.) is defined here as the ethical objectives established by an organization in consideration of its work content, scale, and the nature of the materials, goods and services which it handles. Included in this are the organization’s own ethical standards, and the laws and regulations which must be observed according to the nature of the organization’s activities.

3.6 Code of ethics (code of conduct, conduct guideline, etc.) is defined here as the standards of behavior set by an organization in order to apply

the organization’s policy of ethics in practice. The contents of this code must be readily understandable by those concerned, and of a realistically applicable nature.

3.7 Other compliance manuals (ethics compliance manuals, etc) are defined here as a more concrete reference based upon the contents of the code of ethics or conduct guidelines as applied to specific workplaces and occupations. These manuals may be compiled if necessary.

3.8 Implementation plan is defined here as an annual plan for the application of the policy of ethics. For example, this would constitute an overall plan covering such issues as the timing and participants of educational programs, workplaces to receive specific intensive training, reform of the reporting/consulting system, and communications aimed at raising the awareness of ethics, and other plans required for the improvement of ethical-legal compliance activities.

3.9 Internal regulations are defined here as internal operating rules introduced by the organization in order to ensure the appropriate functioning of the ethical-legal compliance management system. This would include a specification of the authority and responsibility of an office for ethical-legal compliance (ethics office, compliance office, etc.).

3.10 Stakeholders are defined here as individuals or groups who are either directly or indirectly influenced by the actions of the organization. Among others, these would include: consumers, employees, stockholders, creditors, trading partners, related organizations, community members, and government agencies.

3.11 Unless otherwise specified, organizations are defined here as corporations, educational institutions, medical institutions, public bodies, religious organizations, government agencies, political groups and other parties.

3.12 Review by management is defined here essentially as reviews that are initiated and carried out under the leadership of the organization's chief executive officer. However, in cases of emergency when the chief executive officer is unable to carry out this function (for instance in emergency situations), this review by management may be initiated and carried out by an individual or an internal body specifically ap-

pointed to the task.

3.13 Cases of emergency are defined here as any situation where management or executive officers are involved in social wrongdoings or improper activities. Because a general ethical-legal compliance management system will not function adequately in such a situation, the organization must establish and maintain a procedure for managing such cases of emergency as may occur.

G 3. Definitions

These definitions are generalizations. It is possible to modify and expand upon these definitions in accordance with the needs of the respective organization. For instance, "compliance manuals" can be referred to as "guidelines," and financial institutions may refer to "code of ethics" as "compliance standards" where necessary. Furthermore "emergency situations" may be redefined to indicate any situation which cannot be dealt with using only a general ethical-legal compliance management system. In other words, the ECS2000 is based on the idea that terminology may vary between organizations in so long as the essential processes to which they refer remains unchanged. It is necessary however, that an organization indicates in their Control Document (as illustrated in Part Two of this guidance document) any instances where the terms used for important concepts have been altered.

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4. Ethics compliance management system requirements

4.1 General requirements

The organization must establish, apply, maintain and consistently improve an ethical- legal compliance management system. The requirements for this are set out in the whole of Section Four.

G 4. Ethical-legal compliance management system requirements

G 4.1 General requirements

An ethical-legal compliance management system based on the ECS2000 should be designed in order to meet the requirements detailed in section 4. In order that all these requirements are met, and in order that a consensus concerning this be maintained throughout the organization, it is necessary that an ECS2000 Control Document should be produced within each organization. Please refer to section G 4.4.4 "*ethical-legal compliance management systems documents*" for details regarding the Control Document (management manual) and other documents. An example of a management manual has been included in the second part of this guidance document.

4.2 Formulating an ethics compliance basic policy and producing manuals

G 4.2 Formulating an ethics compliance basic policy and producing manuals

An ethical-legal compliance initiative begins by first clearly positing the ethical principles and goals which the organization is to pursue. The ECS2000 organizes these ethical principles into the following three forms. The first is the "*policy of ethics*" which is the ethics policy, the second is the "*code of ethics*" and the compliance manual, and the third are the "*department or function specific compliance manuals*."

These documents can be prepared individually or, the policy of ethics and the code of ethics can be prepared together as a single document. The titles of these documents may be determined by the respective organization. For instance, the code of ethics or the combined code of ethics and ethics policy may be referred to as a "code of conduct," a "behavior charter," or as a "compliance manual."

Documentation and formulation of the basic ethical-legal compliance policy:

1. Ethical-legal compliance basic policy (policy of ethics).
2. Code of ethics (compliance manual).
3. Various manuals embodying a specific departments or function's rules and regulations for compliance.

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4.2.1 Formulating an ethics compliance basic policy

Executive management must define, implement and maintain an organization's basic ethical-legal compliance policy which includes the following features.

- a. A set of ethical standards which the organization will implement according to its own tradition and management beliefs.
- b. A body of rules and regulations of specific

relevance and importance to the organization considering its work content, scale, and the materials and services in which it deals.

c. A written statement to the effect that the organization will proactively prevent unethical or illegal behavior, and engage in the establishment and ongoing improvement of its accountability structures and ethical environment.

G 4.2.1 Formulating an ethics compliance basic policy

The ethics compliance basic policy is the key component in the construction of an ethical-legal compliance management system. It is meant to be applied throughout the entire organization and not limited to any specific section within it. This policy should contain:

- a. Any ethical policies or standards based upon the organizations own history or principles which the organization wishes to emphasize.
- b. Main and specific rules and regulations which apply to the organization because of the nature of its activities, its scale, geographical location and any other characteristics must be included here.
- c. A statement indicating the organizations intention to undertake ethical-legal compliance as an ongoing process of improvement must be included here.

The points included in (b) and (c), however, may be incorporated into the code of ethics which is applied to the entire organization.

In terms of length, the ethical-legal compliance basic policy will usually take about 2 A4 or universal sized pages. By comparison however, the code of ethics must be of sufficient detail as to guide the judgment and decision-making of organization members in their everyday activities. Because of this the code of ethics will usually fill about 10 pages. However, should the content of the code of ethics be relatively straightforward, or should another valid consideration exist, the size of the code of ethics may be altered to suit the particular situation of the individual organization.

4.2.2 Disclosure of ethical-legal compliance policy and producing manuals

The organization must document its policy of ethics, inform its members of this policy, and disclose this document making it available to direct and indirect stakeholders as well as to the general public. As part of making this policy public, documented versions of the policy of ethics and code of ethics – or at least one of them –

must be made available.

Furthermore, where the need arises, an ethical-legal compliance manual based upon the content of the code of ethics, in a form appropriate to specific workplaces, should be produced, administered, and maintained.

G 4.2.2 Disclosure of the ethical-legal compliance policy and producing manuals

Once the organization has completed its policy of ethics, the next stage is to formulate the code of ethics. Although the points which must be addressed in this code will vary widely between organizations, thus making generalizations here difficult, the code should basically cover the following points:

1. Balanced behavior with regard to stakeholders.

Prohibition of unfair trading practices, policy regarding entertainment and gifts, forbidding the bribery of (and collusion with) public servants, stance regarding antisocial individuals and parties.

2. Enforcement of legal compliance.

Compliance with laws, regulations, and treaties. For instance compliance with and enforcement of antimonopoly laws, intellectual property rights, insider trading regulations, equal opportunity and non-discrimination policies, and laws and regulations regarding international trade.

3. Behavior and accountability of organization members.

Kickbacks, sexual harassment, discrimination, misappropriation of the organizations resources, improper usage of customer and other information, enforcement of the protection of privacy, and fair and accurate advertising and public relations.

4. Basic position on corporate activities and social responsibility.

Equitable corporate activity, respect of human rights. Promotion of social contribution, protection of the environment, and cooperation with the local community.

Following the order of formulating a code of ethics after finalizing the basic ethical-legal compliance management policy does not mean that the code must be based strictly and precisely upon the content and tone of the basic policy. It is perfectly acceptable that the principles and intentions contained in the basic policy are expressed in a variety of forms.

All members of the organization are to be subject to the policy of ethics and the code of ethics. Because of this, situations may arise where the risk of illegal or inappropriate activity particular to specific oc-

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cupations or department within the organization cannot be controlled. Because of this, the ECS2000 requires that compliance manuals designed to suit the particular conditions of individual departments and occupations be produced wherever necessary. Producing these manuals would normally involve a process similar to that used in designing an operations manual, and would consist for instance, of lists of relevant trade, commercial, antimonopoly, labor, and criminal laws which may apply, interpretations and commentary, as well as checklists of relevant internal regulations. Attention should be paid to the following two points when preparing these manuals.

1. The manual should follow the structure of the code of ethics and should serve as a more detailed and concrete explanation of it.
2. Consistency should be maintained between the code of ethics, and operational manuals and other regulations.

Separate compliance manuals should be prepared for each section, and occupation or post (projects or personnel dealing with specific problems could also be included here) which, due to the nature of the functions involved, is susceptible to greater levels or particular forms of risk than in other areas within the organization. It may not be necessary to distribute these specific manuals throughout the organization because all members of the organization may not need them. These specific compliance manuals can therefore be distributed separately from the code of ethics and the overall corporate compliance manual. Where it is decided that the code of ethics is of sufficient detail, and that use of it alone is sufficient to control foreseeable risk, the organization may choose not to produce these specific compliance manuals.

Organizations which introduce and utilize the ECS2000 are required to make their policy of ethics publicly available. The policy of ethics must be printed as a booklet or as a document for electronic distribution on the Internet and made available to any persons or parties requesting it. The ECS2000 recommends that organizations also make their code of ethics publicly available in a similar manner. This provision is made so that organizations, by making clear their ethical standards and social responsibility, may earn the trust and respect of society that they so deserve.

4.3 Planning

G 4.3 Planning

At the early stages of initiating an ethical-legal compliance management system based upon the ECS2000 the major portion of planning activity is concerned with the development of the policy of ethics, the code of ethics, and the respective compliance manuals. Upon completion of these however, the next task is to prepare an implementation plan, review and organize relevant laws and regulations, and keep them up to date, as well as producing and managing internal regulations. Of course, as the need arises, the policy of ethics and code of ethics may also have to be revised, but since this is not a regular activity it is not included here as an activity to be covered in the planning stage.

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4.3.1 Implementation plan

The organization must develop a process by which to spread the policy of ethics throughout the organization. This procedure should include the following.

- a. A plan for ethical-legal compliance education and training. This should include such tasks as the development of educational materials for use in training.
- b. A plan for improving the reporting/consulting procedures.
- c. A plan for ethical-legal compliance management system auditing. This should include follow-up audits of responses to problems which have been identified and redressed in the past.
- d. Other points including adjustments to changes in the social environment and legal framework, and suggestions for reforms from executive management and related departments.

G 4.3.1 Implementation Plan

In addition to producing the basic policy and code of ethics for an ethical-legal compliance system, each organization, in order to increase their ethical-legal compliance performance, must also produce an implementation plan. Although this plan should be produced in accordance with the individual organizations situation and policy of ethics, it should cover the following points.

a. A plan for ethical-legal compliance education and training.

A variety of factors must be considered in the implementation plan for training and education. For instance, the nature and content of education will differ greatly between the organization which has just started the process of implementing an ethical-legal compliance system compared with an organization with a well-established system. Course content must also be designed in consideration of the rank, workplace, and the nature of the work of those who will be subject to it. It must be determined whether the education will concentrate on:

1. Formal techniques such as lectures and seminars,
2. Discussion based techniques comprising of group research and case studies,
3. The production and distribution of promotional materials and such as pamphlets and other in-house publications, or
4. Take the form of ethics campaigns and other promotional programs.

These potential techniques must be assessed from the perspective of the overall objectives and their desired impact, and included into the plan.

b. A plan for improving the reporting/consulting procedures.

In order for an organization to effectively mobilize an initiative aimed to develop its "integrity" it is necessary to prepare a mechanism, such as an office for reporting and consulting which enables it to

understand the problems which it contains. In order to maintain a positive and proactive enhancement initiative it is essential that there be in place the means to grasp and reflect the opinions and attitudes of organization members on the front line. The main problem with establishing such an office however, is in ensuring that it works in the desired manner and with the desired effect.

"We have a consultation office, but I feel reluctant to go in." "We have an in-house e-mail based consultation system but even if you use it you rarely ever get a response." "The consultation office, I feel, does not respect the privacy of discussions."

Organizations which find themselves faced with such comments as these will also find that they have a consultation office which exists only in form and not function. Left alone, this situation will not contribute towards the development of the organizations integrity. Because of this, the ECS2000 locates the design and ongoing improvement of the consultation function as a critical task for the planning stage.

c. A plan for ethical-legal compliance management system auditing.

The ECS2000 requires that an organization carries out audits in order to ensure that it is functioning in accordance with the policy of ethics, code of ethics, and legal compliance manuals, that its entire ethical-legal compliance management system is suited to its actual situation, and that the results of these audits be presented to executive management and other concerned departments. A plan must be developed therefore, setting out which department should carry out these ethical-legal compliance management system audits (hereafter referred to as "*audits*" or "*internal audits*"), when and how they should be performed, and to whom and in what form of their results should be reported. Should a problem arise in the administration of these audits it is necessary that a plan be developed to solve any problems which may have emerged and improve any situations considered to be unsatisfactory.

d. Plans for dealing with changes in the social environment and legal framework and suggestions for reforms from executive management and related departments.

The social and legal environments are subject to rapid change in our present society. It is essential that organizations and ethical-legal compliance management initiatives are modified in order to keep them up-to-date and in accordance with this changing environment. Apart from legal and social changes, it is also necessary to produce implementation plans for change which are based upon the results received from ethical-legal compliance management system audits and communication activities, as well as from suggestions of reform from executive management and related departments.

Apart from matters directly related to legal compliance, implementation plans can also include initiatives for social contribution and increased awareness of ethical issues. For instance, activities which could be included here might include, initiatives regarding environmental protection, activities for the promotion of corporate involvement both locally and overseas, the creation of ethical products and services, the improvement of industrial relations and working environments, positive promotion of women to managerial positions, and the development of retail stores in consideration of the special needs of the handicapped and the aged.

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In order to facilitate this level of accomplishment it is important that these plans should be prepared in considerable detail. These plans should set out numerical goals where possible. For instance, “to increase the number of female executives to x% of the total number of managers within the next three years,” “to increase the number of parts suppliers with their own ethical initiatives to x% within the next two years,” “to increase sales in recyclable products by x% over the next four years,” “to hold discussions once every year with representatives from each of the most important groups of stakeholders,” and other such empirical goals which permit the organization to explain its achievements clearly to stakeholders and other interested parties.

In the same way as the public distribution of the organizations code of ethics was suggested as a goal in section 4.2.2 “*Disclosure of ethical-legal compliance policy and manual making,*” it is also desirable that organizations produce an annual report for external distribution summarizing that years plan and progress made towards implementing it. A variety of methods can be used for the distribution of this report. For instance, a report can be produced covering the interests of a specific group of stakeholders or set of ethical policies, or general reports can be made available to anybody via the Internet. Such reports would be of great help to groups of stakeholders or third parties with an interest in examining and evaluating the ethical-legal compliance achievements of various organizations. In order to gain the trust of the market and society, it is well worth considering the publication of both an organizations ethical code and reports concerning the achievements of implementation plans. In the same way that environmental reporting has become an accepted practice, it is safe to predict that within the near future the publication of reports covering ethical-legal compliance and social responsibility will also become a hallmark of good business. In the late 1990s the Global Reporting Initiative (GRI) was commenced in the United States, and the AA2000 was introduced in Britain. Both these initiatives indicate that this movement towards “social and ethical reporting” is already well underway.

4.3.2 Legislation and other related regulations and rules

The organization should establish and maintain a procedure to identify and facilitate access to the relevant laws, regulations and other rules as a whole, that are applicable to its activities, prod-

ucts, or service. This procedure should be maintained along with, but separate from the written code of ethics or compliance manuals.

G 4.3.2 Legislation and other related regulations and rules

The legal environment in which organizations, as a social entity, are located is in a state of constant change. As the regulations controlling the economic activities of organizations are relaxed, they are instead required to comply with new laws relating to the protection of the environment, intellectual property and the rights of consumers. In many cases organizations may in fact be influenced by these and other laws which initially seem unrelated to their activities. It is necessary, therefore, that as much information as possible be collected, ordered and maintained regarding the laws and regulations which the organizations chief executive officer, managers, and general members must know. It is also vital that a system be developed and maintained so that any department requiring it can freely gain access to this information.

It is possible to manage this information by establishing a section within the organization dedicated to this purpose. This does not mean, however, that all organizations are required to establish a legal department to perform this function. Where possible, it is permissible to delegate this function to a general affairs department. Where the organization lacks the resources to dedicate personnel to this function it can as an alternative retain a legal advisor, or use the resources of a public library in order to satisfy this requirement. Sites on the internet providing access to the text of laws, their interpretation and commentaries have also become available recently. Departments within the organization could maintain links to these sites providing information relevant to their activity as another way of maintaining an awareness of their legal environment.

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4.3.3 Internal regulations

The organization must develop and maintain a system of internal regulations in order to ensure ethical-legal compliance. These internal regulations must include the following.

- a. Regulations concerning an office to manage problems relating to ethical-legal compliance. Education and training, reporting/ consulting, audits, regular correction and document control functions can be centralized on a single office or divided among several separate offices. These offices must be designed to suit the needs of the respective organization and to function in a realistic and effective manner.
- b. Regulations outlining and stipulating the relationship between the office responsible for ethical-legal compliance and the organizations highest decision making body or individual.
- c. Regulations concerning the organizations use of third party and independent specialists. This regulation should be designed to suit the situation in each organization and to function in a realistic and effective manner.
- d. Regulations concerning the authority and responsibility for each office and level of the organization for ethical-legal compliance.
- e. Regulations concerning education and training for ethical-legal compliance. For instance this should indicate the responsible section, the subjects and scheduling of training programs.
- f. Regulations concerning ethical-legal compliance and reporting/consulting procedures. For instance this should include: An indication of the responsible section. Regulations to ensure the confidentiality of reporting/ consulting activity and the privacy of the individuals involved.
- g. Regulations covering ethical-legal compliance management system auditing. This should include regulations regarding the procedure for administering audits and the independence of the office responsible for conducting the audits.
- h. Regulations covering penalties for ethical-legal violations.
- i. Regulations concerning the procedure to be followed in the event of uncovering illegal or unethical activity within the organization.
- j. Regulations covering procedures to be followed in regular corrective procedures.

In order to ensure that the ethical-legal compliance management system actually functions in a real and effective manner, the organization must review its internal regulations, aligning them with changes in organizational activities, the demands of society and legal or regulatory reforms.

G 4.3.3 Internal regulations

As described above, an ethical-legal compliance management system will not function effectively after producing only an ethics policy and code of ethics. It is because of this that a specialist department to perform training and education in ethics and consultation is necessary. It is also necessary to stipulate the authority and responsibility of the personnel who perform this function and the processes and procedures by which ethical-legal compliance management is administered. It is necessary that the organization prepare internal regulations which cover these activities.

Producing the internal regulations concerning ethical-legal compliance management initially involves

addressing the points “a” to “j” as shown in section 4.3.3 of the ECS2000, and ends by covering all the requirements set out in section 4. It is helpful to start this process by first preparing a list of all the internal regulations which must be formulated as shown in exhibit 2. The points “a” to “j” shown listed in the exhibit follow those defined in the ECS2000. Those points shown without an alphabetical denotation are based upon standards and procedures which are defined in section 4 and can be prepared as needed at the discretion of the organization. Departments designated as responsible for various documents within the figure are given as examples and may be arranged to suit the conditions of the respective organization.

Exhibit 2: A List for Managing the Production and State of Internal Regulations and Manuals

Requirements	Date of creation	Department in charge	Date of modification
4.4 Implementation and operation			
4.4.1 Structure and responsibility <i>a. Regulations concerning an office to manage problems relating to ethical-legal compliance.</i> <i>b. Regulations outlining and stipulating the relationship between the office responsible for ethical-legal compliance and the organizations highest decision making body or individual.</i> <i>c. Regulations concerning the organizations use of third party and independent specialists.</i> <i>d. Regulations concerning the authority and responsibility for each office and level of the organization for ethical-legal compliance.</i> @ other regulations		General affairs	
4.4.2 Education & training <i>e. Regulations concerning education and training for ethical-legal compliance.</i> @ other regulations		Personnel	
4.4.3 Communication <i>f. Regulations concerning ethical-legal compliance and reporting/consulting procedures.</i> @ other regulations		Ethical-legal Compliance	
4.4.4 Ethics compliance management system documents “ECS2000 Control Documents” @ other regulations		Ethical-legal Compliance	
4.4.5 Document control <i>Document control regulations</i> @ other regulations		General Affairs Legal	
4.4.6 Operational control <i>h. Regulations covering penalties for ethical-legal violations.</i> <i>i. Regulations concerning the procedure to be followed in the event of uncovering illegal or unethical activity within the organization.</i> <i>j. Regulations covering procedures to be followed in regular corrective procedures.</i> (Corrective procedures implemented by the office for ethi-		Personnel General Affairs Legal Ethical-legal Compliance	

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<i>cal-legal compliance)</i> <i>Q other regulations</i>			
4.4.7 Emergency preparedness and response <i>“Manuals for implementing crisis response procedures”</i> <i>Q other regulations</i>		Ethical-legal Compliance	
4.5 Monitoring & corrective action			
4.5.1 Monitoring & evaluation <i>Regulations covering monitoring and checklist production</i> <i>Q other regulations</i>		Organization wide	
4.5.2 Correction & preventative action <i>j. Regulations covering procedures to be followed in regular corrective procedures.</i> <i>(Corrective procedures implemented by the various depart- ments within the organization.</i> <i>Corrective procedures implemented by the auditing depart- ment)</i> <i>Q other regulations</i>		General Affairs Legal Organization wide Auditing	
4.5.3 Records <i>Procedures for record management</i> <i>Q other regulations</i>		Ethical-legal Compliance Organization wide	
4.5.4 Ethics compliance management system auditing <i>g. Regulations covering ethical-legal compliance management system auditing.</i> <i>Q other regulations</i>		General Affairs Legal Auditing	
4.6 Management review <i>j. Regulations covering procedures to be followed in full-scale corrective procedures.</i> <i>Q other regulations</i>		Executive Board Board of Direc- tors	
4.7 Drastic system reform following emergency situations <i>j. Regulations covering procedures to be followed in full-scale corrective procedures.</i> <i>Q other regulations</i>		Board of Direc- tors Ethical-legal Compliance	

These internal regulations should be modified and augmented in accordance with information on the results of their use and changing conditions. It is not possible to produce a perfect set of regulations from the outset because changes in the internal and external environments of the organization affect the efficacy of these regulations. Where it is not necessary to establish a separate regulation, or where a brief and simple regulation is adequate, the regulations can be described in the Control Document as illustrated in “Part Two, Control Document example.”

a. Regulations concerning an office to manage problems relating to ethical-legal compliance.

This regulation concerns the office which is responsible for managing problems related to ethical-legal compliance. It stipulates what duties will be assigned to which departments and the authority and re-

sponsibility of those working in these departments. Clearly stipulating the authority and responsibility of these personnel is of particular importance. For instance, it is possible to create a legal section or an ethics section within the general affairs department and concentrate all relative activities there. Alternatively, responsibility for ethical-legal compliance can be assigned to an existing section or department thereby eliminating the need to create a new department.

b. Regulations outlining and stipulating the relationship between the office responsible for ethical-legal compliance and the organizations highest decision making body or individual.

It is important to establish a regulation which clarifies the relationship between the department which is responsible for managing problems related to ethical-legal compliance and the organizations highest decision making body or individual (in a private corporation these would be the Board of Directors and the President or CEO respectively). In general, where the organization is a private corporation, a system should be established whereby the ethical-legal compliance department or individual responsible for managing problems related to ethical-legal compliance is able to report directly to the Board of Directors, executive management or the CEO as necessary. For instance, it is also possible to establish a risk management committee, an ethics committee, or a supervisory committee which would consist of the members of the board and the directors responsible for ethical-legal compliance, and designate this committee to receive the reports of the ethical-legal compliance management department or officer. Information concerning ethical-legal compliance problems involves issues which may pose a considerable amount of risk to the organization. It is therefore imperative that this internal regulation clearly states the relationship between the organizations highest decision making body or individual and the ethical-legal compliance management department or individual, in order to facilitate the most rapid and appropriate exchange of information possible.

c. Regulations concerning the organizations use of third party and independent specialists.

When developing the ethical-legal compliance management system it is important to consider the role and use of third parties, and where used, to clarify their functions and responsibilities in this regulation. The term “*third parties*” may be used here to refer to external organizations or individuals. Each individual organization may make its own decision regarding the level (at the level of the Board of Directors, supervisory board, special committees, or indirectly at the level of the ethical-legal compliance officer) at which these third parties will be involved. For instance external directors can be included in the Board of Directors, independent auditors can be included in the supervisory board, lawyers and ethics advisors can be used on the level of the specialist department. External specialists such as scholars and lawyers can be involved in special committees established to deal with particular problems. The involvement of third parties is not necessary on all levels. However, the organization, in light of its particular situation should consider the involvement of such third parties where necessary.

d. Regulations concerning the authority and responsibility for each office and level of the organization for ethical-legal compliance.

The responsibility and authority of the department or individual responsible for ethical-legal compliance management has already been discussed in regulation “a” above. Activities for the promotion of ethical-legal compliance should however, involve the entire organization. In order to accomplish this in

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large-scale organizations it is necessary to assign a compliance officer to each department, or on each level of the organization, and facilitate their communication within and between the ethical-legal compliance department. It is particularly important to make clear in the regulation whether this compliance officer will report to the head of their own department or to the head of the ethical-legal compliance management section. It is also important to formulate rules regarding the selection of these compliance officers. In the same manner as the personnel in the department for ethical-legal compliance management, the authority and responsibility of these compliance officers should be clarified in this regulation.

e. Regulations concerning education and training for ethical-legal compliance.

And implementation plan for ethical training and education is required according to section 4.3.1-a "*Implementation plan – a plan for ethical-legal compliance education and training,*" however in order to establish this education and training as an official activity throughout the organization, and in order to ensure that it is administered on an ongoing basis, it is necessary to establish an internal regulation clarifying the form and role of ethical education and training. For instance where ethical-legal training and education is conducted on a regular basis it is important to clarify in the regulation the department responsible for the training, the subjects of the training, and the frequency with which training should be conducted.

f. Regulations concerning ethical-legal compliance and reporting/consulting procedures.

For reporting/consulting procedures regarding ethical-legal compliance, it is important to clarify in the internal regulations which department is responsible for receiving reports, and which department is responsible for consulting. It is also necessary to produce a regulation which will require and ensure the confidentiality of reports and the privacy of consultations. Although the department performing this function will vary between organizations, in order to increase the efficiency of this activity it is necessary to establish several channels for reporting and consultation such as an in-house helpline or a consultation desk in addition to the heads of each section. Where the duties concerning ethical-legal compliance management are performed exclusively by the general affairs department, legal department, personnel department, or a specialist ethical office, it is possible for this duty of reporting and consultation to be assigned to the same office. Where the organization has already established a consultation desk for other problems such as dealing with sexual harassment, this function could be enlarged upon to include reporting and consultations concerning ethical-legal compliance management problems.

In situations where it is decided that protecting the privacy of individuals seeking consultation is difficult, the consultation process can be outsourced to a trusted third party or specialist in that field. The organization must determine and plan the format for its reporting/consulting procedures and stipulate them in this regulation.

g. Regulations covering ethical-legal compliance management system auditing.

It is necessary to clarify which section, with what authority, the procedures for, and frequency with which internal audits of the management system for ethical-legal compliance will be held. Where these points are not clarified, departments subject to the audits will often express resentment and resist participation in them, and it may eventually become impossible to administer audits entirely. In the course

of an audit, the auditing section conducts interviews, collects information and finally presents its findings and recommendations to each department. Where the authority of the auditing section is not made clear however, the auditing process is most likely to end by producing only very superficial results.

In cases where the respective organizations situation prohibits the establishment of an independent auditing section, it is permissible for the organization assign the auditing function to the ethical-legal compliance management section. However in this case, the organization must divide and separate the auditing function from the reporting/consultation function. It is important to maintain a clear distinction between the officials responsible for offering advice to, and acting upon reporting/consulting, and those performing audits.

h. Regulations covering penalties for ethical-legal violations.

It is important that the organization punishes actions which are in violation of laws, regulations and the policy of ethics and code of ethics. An organization can not be said to be seriously involved in ethical-legal compliance management where these violations are dealt with only on an ad-hoc or case-by-case basis. Where violations are dealt with on a case-by-case basis the penalties awarded tend to vary over time and the impression that violations may, to some extent, be excused comes to permeate the organization. It is important therefore that the organization establish clear rules which it will follow in the event it becomes necessary to punish violations of ethical-legal compliance. For instance penalties including dismissal, suspension, demotion and fines of the organizations members should be defined, and it should be made clear what level of violation deserves what level of punishment.

It is also necessary to prepare a regulation covering the evaluation of departments and individuals who are actively embracing the purpose and spirit of ethical-legal compliance. If this evaluation is integrated with the personnel evaluation and reward system within the organization it would surely have a strong positive effect.

i. Regulations concerning the procedure to be followed in the event of uncovering illegal or unethical activity within the organization.

It is necessary to stipulate the procedures which should be followed in the event of the discovery of illegal or unethical activity within the organization. The details of this actual procedure may vary between organizations, but basically it will take the form of first uncovering the event, reporting the situation to the departments and department heads involved, investigation, and dealing with the situation both internally and externally. Where it is possible that the problem discovered will have a considerable negative influence upon society, and especially in cases where the investigation stage can be expected to take some time to thoroughly complete, problem management should be initiated rapidly and the likelihood of, or nature of actual problems involved should be reported to the respective external authorities. It is important to include procedures for this contingency in the regulation.

j. Regulations covering procedures to be followed in regular corrective procedures.

In the wide sense of the term "correction" is covered in the final sections of the P> D> C> A> cycle. The

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regular corrective procedures referred to here however, concern the corrective activities on the level of the departments within the organization, the ethical-legal compliance management department, and the auditing department. For instance, although corrective activities based on the results of monitoring conducted within each department is made at the discretion of that particular department, it is important to include in this regulation the need to report any such actions to the ethical-legal compliance management department and other related departments.

4.4 Implementation and operation

G 4.4 Implementation and operation

The actual establishment and implementation of an ethical-legal compliance management system is covered in this section on implementation and operation. Establishing a specialized department to perform ethical-legal compliance and manage the corporations ethical-legal compliance initiatives across the organization will be addressed here. This section will also address the administration of all ethical training, communication activities, and the development of a management system to deal with various situations which become apparent as a result of these communication activities.

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4.4.1 Structure and responsibility

The organization, in order to establish an effective ethical-legal compliance management system, must set up an internal office (or a number of offices) to deal exclusively with matters relating to ethical-legal compliance. The organization must define the role, responsibility and authority of the office, which must then be documented and communicated to all members of the organization. The general manager of this office must be an executive officer or a person of equivalent or higher rank within the organization.

The office must fulfill the following functions.

- a. Management and amendment of the policy of ethics.
- b. Administration, and where necessary, revision of the implementation plan.
- c. Administration of laws and other applicable regulations.
- d. Administration, and where necessary, amendment of internal regulations.
- e. Administration of ethics education and train-

ing, reporting/consulting duties, and coordination with related offices and departments such as the legal department, finance and accounts, auditors office, personnel management, general affairs, and planning office.

f. Communication among those appointed responsible for ethical-legal compliance within each respective department and level of the organization.

The office will also, where necessary, propose amendments and reforms of these functions to the executive officers of the organization. Such suggestions must be documented and stored.

The organization must provide the office with the resources necessary for the management of ethical-legal compliance. Upon consultation with the responsible officers, several capable individuals must be appointed and delegated the authority and responsibility of managing the ethical-legal compliance system. The individuals thereby appointed will constitute the core of the organization's official ethics compliance initiative.

G 4.4.1 Structure and responsibility

In order to implement an ethical-legal compliance management system the organization is required to establish a specialized department to perform this activity and assign this department with the authority for ethical-legal compliance. In accordance with the organizations scale, structure, and physical location, it is possible that this specialized department ("*ethical-legal compliance department*," also known as an "*ethics office*," or a "*compliance office*") maybe be either a single department or comprised of several different departments. In the case of utilizing several departments or sections – such as the legal department, ethics office, personnel department, general affairs department or the auditing section – within the same organizations it is necessary to clearly delineate the distribution of authority between these offices and clarify the chain of command between them. It is important that overall management of the ethical-legal compliance section be performed by an organization member with the rank of an at least corporate director (in the case of a private corporation this individual should also be a member of the board of directors). There is no restriction as to whether this function should be a full-time or a part-time responsibility. The designation (name) of this department is also left to the discretion of the respective organization.

a. Management and amendment of the policy of ethics.

The department responsible for ethical-legal compliance will manage the production of the ethical-legal compliance basic policy and, where necessary, its amendment. It will also assume charge of producing and amending the code of ethics and compliance manuals based on this basic policy. This section will perform these tasks in accordance with the decisions of executive management. The establishment of this section is necessary in order to produce revisions of the policy of ethics and code of ethics and to ensure that earlier and revised versions are properly maintained and their use not be confused.

b. Administration of the implementation plan.

Actual implementation of the plan constitutes one of the ethical-legal compliance management department's main tasks. However, during the implementation stage it is possible for situations to occur which were not initially foreseen. In these instances detailed revisions are necessary. Where these revisions entail major changes the approval of executive management is necessary, however, where only minor changes are necessary they can be made upon the initiative of the manager of the ethical-legal compliance department after consultation with the heads of each department.

c. Administration of laws and other applicable regulations.

As already discussed in section 4.3.2 "*Legislation and other related regulations and rules,*" it is necessary to construct and maintain a system whereby access is maintained to information regarding laws and applicable regulations. The production and maintenance of this system is also a function performed by the ethical-legal compliance management department. Because laws and regulations change over time, and because changes in the organizations activities also affect the laws and regulations to which it is subject, the organization must maintain an up-to-date review of its legal requirements and obligations. Although the actual work involved in this can of course be outsourced to specialists in their respective fields, it is important that the organization designates an internal department and assigns it with the overall responsibility for this function.

d. Administration, and where necessary, amendment of internal regulations.

The content of internal regulations has been discussed in section 4.3.3 "*Internal regulations,*" here the procedure for the administration and amendment of these regulations will be outlined. In order to maintain a consistent set of internal regulations relating to ethical-legal compliance management it is desirable that the administration and maintenance of these regulations be designated to a single department. However, in the case of large-scale organizations it is impossible for a single department to perform this function. In these cases separate departments within the organization can administer and maintain regulations which relate directly to them, and the ethical-legal compliance management department can oversee this process and check the finished results.

Within internal regulations there are those which cover the entire organization and those which apply only to specific departments, sections or activities. While regulations relating to the entire organization

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can be administered and maintained by the general affairs department, personnel department, or legal department, regulations specific to a particular department can be administered and maintained by that respective department. It is important here, however, that internal regulations that are produced within separate departments are not duplicated unnecessarily throughout the organization. The ethical-legal compliance management department should perform checks in order to prevent such duplication. Where overall internal regulations are included in the Control Document, it is preferable that the production, administration, and amendment of this Control Document is performed by the same department.

e. Administration of ethics education and training, reporting/consulting duties, and coordinating with related offices and departments such as the legal department, finance and accounts, auditors office, personnel management, general affairs, and planning office.

The department responsible for the management of ethical-legal compliance is also responsible for the education and training and consultation/reporting functions discussed below. This department is also responsible for coordination between other departments regarding these issues. For instance, in the case of a private corporation, in order to promote ethical-legal compliance activities it is important that the ethical-legal compliance management department maintains close communication and coordination with the legal department regarding legal matters, the accounting department regarding preventative measures for budgetary and monetary problems, the auditing office regarding the prevention of internal irregularities and problems, the general affairs department regarding public relations concerning violations and problems, the planning department regarding ethical-legal compliance system promotion activities, and the executive office and public relations department regarding mass media and communication issues.

f. Communication among those appointed responsible for ethical-legal compliance within each respective department and level of the organization.

Where the organization introduces a company-wide initiative for the promotion of ethical-legal compliance management, it is necessary that the specialist ethical-legal compliance management department takes a central role in communicating between the other departments and levels within the organization. Communication between the manager of the ethical-legal compliance management department and the officers in charge of compliance in all other departments and levels of the organization is of critical importance here. Delegation of this role to personnel within the respective departments and levels of the organization can be made at the discretion of the organization, with these tasks being assigned to the heads of each department or level, or alternatively to support personnel. What is important here however is that information regarding ethical-legal compliance management is communicated accurately, and that information originating in the different departments and levels of the organization is also rapidly and accurately grasped by the centrally located ethical-legal compliance management department.

It is important that the ethical-legal compliance management department, which is assigned the performance of these tasks, is given sufficient personnel, resources, information, and budget to accomplish these tasks in a comprehensive manner. For instance, even where a specialist department is established,

a shortage of personnel will prevent the effective administration of any plans. Insufficient allocation of funds for ethical training is tantamount to a declaration by the organization to its members that such training need not be administered. Moreover, it is not possible for the ethical-legal compliance management department to coordinate among the other departments and levels within the organization in the absence of a clear statement by the organizations executive management in support of ethical-legal compliance. It is essential for these and other reasons that the ethical-legal compliance management initiative be allocated sufficient resources.

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4.4.2 Education and training

In accordance with internal regulations, the organization must undertake the systematic administration of ethical-legal compliance education and training.

The organization must provide education designed for departments with considerable social impact, departments which – by the nature of their function – are at greater risk of unethical practices and behavior than other departments, and for members of the organization who are currently engaged in duties which have been related to problems in the past.

The organization must establish programs to train in – and increase awareness regarding – the following:

a. The meaning and necessity of following the requirements of the ethical-legal compliance management system, policy of ethics and code of

ethics.

b. The detrimental influence brought to bear upon the organization as a result of unethical and irresponsible behavior, as well as the nature and extent of social trust which can accrue as a result of ethical and responsible behavior.

c. The function and responsibility of each individual member of the organization in following the requirements of the ethical-legal compliance management system, policy of ethics and code of ethics.

d. The sanctions which apply to individuals whose actions represent a violation of the code of ethics and a deviation from the relevant ethical-legal compliance manuals.

G 4.4.2 Education and training

In order to make an ethical-legal compliance management system work effectively it is necessary to perform the education and training. The actual form and content of this training must be determined by the individual organization with respect to its particular situation. What is important here however is that this education and training be used to achieve concrete results. In order to accomplish this, education concerning the management of risk must be administered throughout the organization in accordance with the level of risk for violations of an illegal or unethical nature evident in each individual, section, occupation, and department (the procedure for the assessment of such risks will be discussed in section G4.4.3 “*Communication*”).

Where other methods, apart from formal education and training, are available for the promotion of awareness of ethical-legal compliance, they should also be used in order to augment education and training. For instance, bulletins issued by the ethical-legal compliance management department, in-house newspapers, and on-line notice boards are some examples of effective techniques here.

The ECS2000 contains the basic requirement that the following four points must be covered by means of education and training.

a. The meaning and necessity of following the requirements of the ethical-legal compliance management

system, policy of ethics and code of ethics.

In order for the organization to implement ethical-legal compliance management in a systematic manner, it is important to make clear that everyday decision making must be made in accordance with the policy of ethics, code of ethics, and the requirements of the ethical-legal compliance management system which the individual organization has produced. By doing so, the organization will be able to enhance its integrity, creating a workplace in which each individual member may feel pride and derive satisfaction.

b. The detrimental influence brought to bear upon the organization as a result of unethical and irresponsible behavior, as well as the nature and extent of social trust which can accrue as a result of ethical and responsible behavior.

Here it is important that each member of the organization realizes that although unfair or irresponsible behavior may on occasion, on the short-term, improve the organizations performance, on the middle to long-term such behavior can only have a negative impact and, in the event of a crisis due to illegal or unethical behavior, responsible action to resolve this situation, although having a detrimental effect on the short-term, is more likely to result in the organization achieving greater social trust and enhancing its competitiveness in the marketplace. It is particularly important that all members of the organization understand that unfair business and other practices can only have a calamitous impact upon the organization as a whole.

c. The function and responsibility of each individual member of the organization in following the requirements of the ethical-legal compliance management system, policy of ethics and code of ethics.

Here it must be clarified that ethical-legal management is something in which all members of the organization should actively participate. It is important that the role and responsibility of each member of the organization be made clear in order that they may be able to take appropriate action in dealing with situations where problems concerning ethical-legal compliance arise. It is important to emphasize here that the organizations members should not take a passive attitude, but should instead develop a positive and proactive attitude towards action in such cases. It is also important to develop basic procedures which can be used in handling the solution of problems which arise in the course of everyday work.

d. The sanctions which apply to individuals whose actions represent a violation of the code of ethics and a deviation from the relevant ethical- legal compliance manuals.

It should be made clear that in the event of actions which are in violation of the ethical policy, code of ethics, or the requirements of the ethical-legal compliance management system, stringent disciplinary actions will be taken against those responsible. It could be sufficient here to simply describe the main points of the internal regulations which are covered in section 4.3.3. *“Internal regulations.”*

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4.4.3 Communication

In addition to official communications for the purpose of education and training, the organization must establish a system to facilitate internal and external reporting and consultations regarding ethical-legal compliance. This must include the following:

- a. The establishment of a reporting/consulting system in order to promote communication regarding ethical-legal compliance.
- b. Regular surveys of the opinions of the organizations members in order to augment the function of the reporting/consulting system. This should also contain a requirement for risk assessment and control.
- c. The documentation of the results of the survey and reporting/consulting system.
- d. The documentation of, and response to enquiries or requests for information from external stakeholders.
- e. Where necessary, to inform the individuals or departments (including external organizations) of the nature of all actions taken in response to their enquiries or requests.
- f. To protect the privacy of individuals or departments (including external organizations) submitting reports or enquiries, unless the other party expressly forgoes this right.

G 4.4.3 Communication

Communication related to ethics within the organization can be divided into the following three forms. The first is communication between personnel in charge of ethical-legal compliance management in order to enhance the efficiency of their activities. This requirement is detailed in section 4.1.1 "General requirements." The second form is information which flows from the organizations executive management down to all of its members. For instance, the education and training described in section 4.4.2 falls into this category insofar as it represents a mechanism for establishing a unified and standardized approach to ethical policy throughout the organization.

Communication as defined in this section differs from these two forms. The third form of communication, covered here, refers instead to the flow of information from the organizations members upwards to the executive management, and from external stakeholders inwards to the executive management. The ECS2000 requires the production of these communication channels in order to enable the organization to rapidly and accurately assess whether or not it is actually conducting itself responsibly with regard to ethical-legal compliance management. For instance, this form of communication is important in determining whether or not activity may be taking place somewhere in the organization which is in violation or not in accord with ethical-legal requirements, the likelihood that such activity is taking place, and the nature of the relationship between stakeholders and the organization, all of which are critical forms of information if the organization is to maintain an effective ethical-legal compliance system. The remainder of this section will discuss six requirements concerning this communication system.

- a. *The establishment of a reporting/consulting system in order to promote communication regarding ethi-*

cal-legal compliance.

It is important to establish a reporting/consultation desk where members of the organization who may be facing an ethical-legal compliance management problem can voice their suggestions for reforms and other opinions. Of course, although it is only natural for such input to be directed towards the respective individual's superior within the organization, it is important to establish reporting/consultation office and necessary procedures in order to augment this function. Other techniques which can be used here include in-house phone-in services, electronic mail, help lines, access to reporting and consultation services provided by external bodies, and open door policies by which organization members can gain direct access to the executive management personnel of the organization.

b. Regular surveys of the opinions of the organizations members in order to augment the function of the reporting/consulting system.

It is important that the organization actively develops mechanisms by which it can detect its own actions where they are in violation of, or fail to comply with, legal requirements or social standards. For instance, even where the above mentioned reporting/consultation desk is established, nothing will be achieved by this unless the organizations members actually avail themselves of the system and use it for the active contribution of information. The situation often arises in the very early stages of an organizations ethical-legal compliance activity. Because of this, for instance, it is recommended that the organization conducts an opinion survey regarding ethical-legal compliance among its members approximately once every two years.

In addition to the requirements regarding risk on management levels set out in section 4.4.7, there is also a need to grasp and assess the operational risk incurred given violation of, or failure to comply with ethical-legal requirements. One possible and highly effective method for accomplishing this would involve a series of interviews with the managers of the organizations various departments in order to assess:

1. The potential risks present in each department,
2. The potential impact for the organization of these risks,
3. The likelihood of these risks becoming actual problems,
4. The degree to which these risks are or can be controlled.

For problems which go beyond the scope of individual department managers, opinion surveys of the organizations members can also be useful.

It should be understood however, that an organizations levels of potential risks can change rapidly. For instance, an organizations risk situation can change when:

1. The legal system and social environment surrounding the organizations activities undergoes change,

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2. The organization is reorganized or restructured,
3. The organization undergoes rapid growth,
4. New production lines are introduced,
5. New products or services are introduced,
6. Nearly designed or modified management information systems are introduced, or
7. Overseas activities are initiated or enlarged.

In these events it is important for the ethical-legal compliance management department to conduct ad hoc surveys in addition to the regular opinion surveys in order to assess the levels of these risks.

c. The documentation of the results of the survey and reporting/consulting system

It is necessary to introduce a procedure by which information contributed by the organizations members can be systematically documented and recorded. It is important to record the results of opinion surveys, reports and consultations. Keeping records is an important part of resolving individual problems but it is also very important to the development of an effective organization-wide ethical-legal compliance management system. Systematic and comprehensive records are essential for producing an implementation plan, establishing trust among organization members who participate in consultations and reporting, and in smoothly maintaining an ethical-legal compliance management system despite organizational changes and personnel rotation.

The following points should be included in records maintained regarding consultations and reports, and any follow-up initiated in response to them:

1. The content of consultations (making clear the 5W1H).
2. Exchanges between the consultee and the officer in charge.
3. The name of the department and officer in charge of considering and planning possible responses to the consultation.
4. The nature of final response and the reasons and logic underlying its determination (the results of operational control as detailed in section 4.4.6 should also be included).

d. The documentation of, and response to inquiries or requests for information from external stakeholders.

Inquiries from external stakeholders such as local residents, consumers, trading partners, government agencies, members of the press and media, should also be accepted and recorded. However, this does not mean that direct interaction between external stakeholders and the ethical-legal compliance management department is encouraged. What is important here is that the organization listens to input from outside its own ranks, and produces a system whereby such input can be faithfully recorded. It is acceptable for a system to be introduced whereby different departments can handle these inquiries and

then inform the ethical-legal compliance management department of the nature and results of the information thus gained.

e. When necessary, to inform the individuals or departments (including external organizations) of the nature of all actions taken in response to their inquiries or requests.

After the receipt of a report/consultation, having verified the facts concerning the situation in case, and having formulated a suitable response, the reporter/consultee should be informed of the nature and contents of that response. In other words where it is determined that there is a need to inform the reporter/consultee of the nature of the response to be taken, it is also necessary to inform that person of progress in the response on an ongoing basis. Also in cases where it is determined that a response to an inquiry from an external source is necessary and required, it is essential to inform those concerned of the response taken and the improvements thereby achieved.

In order to go beyond simple legal compliance and extend the organizations activities to include social contributions, it is essential to develop a mechanism by which the voice of external stakeholders can be constructively and actively brought in, and by which the organizations ethical-legal compliance management initiatives and performance can be accurately and freely released to stakeholders involved and the public in general. Because effectively grasping the voice of external stakeholders is not a simple task, the quality of communication can be enhanced here by analyzing which group of stakeholders are most important to the organization and thereafter conducting regular discussions with representatives of each group. This type of system is currently being pursued by the AA2000 standard.

f. To protect the privacy of individuals or departments (including external organizations) submitting reports or inquiries, unless the other party expressly forgoes this right.

The privacy of people consulting with the reporting/consulting desk should be protected unless that person expressly forgoes this right. For instance the privacy of consultees can be protected by placing the reports of consultations under the management over the ethical-legal compliance management department, and by restricting access to these documents to only a few authorized personnel. This requirement, in the same manner as point “e” above, is necessary in order to ensure smooth communication. The respect of privacy is a critical precondition for the realization of an effective system of communication within the organization and all necessary attention should be given to the establishment of an adequate and efficient process for its protection.

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4.4.4 Ethics compliance management system documents

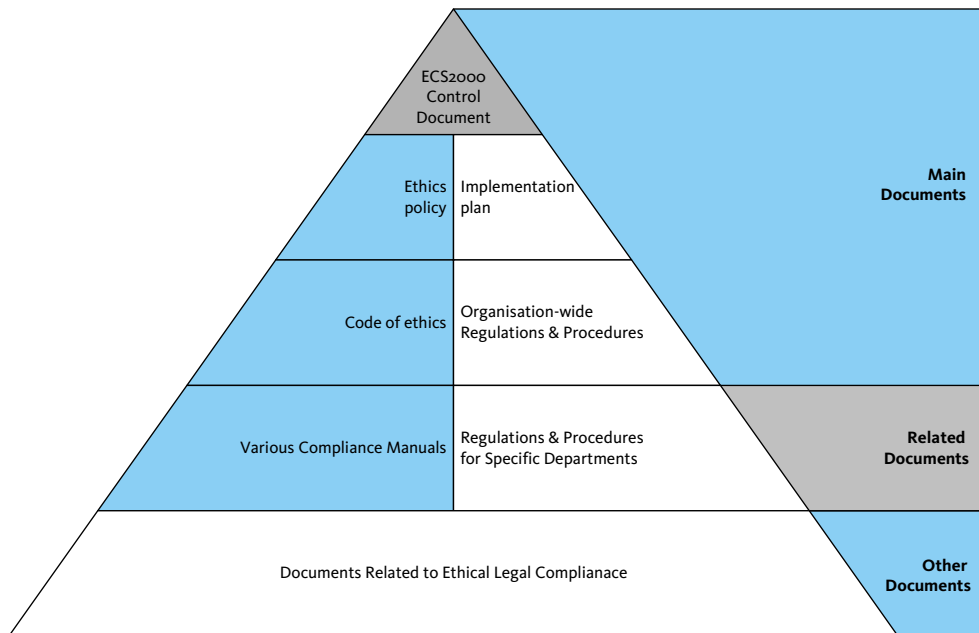
The organization must produce and maintain a written record (either physical or electronic) of the main documents constituting the ethical-legal compliance management system and all documents relating to it. This record should in-

dicating the location of all relevant documents. The term “main and related documents” refers to the policy of ethics, code of ethics, compliance manuals, implementation plans, and internal regulations.

G 4.4.4 Ethics compliance management system documents

“Ethics compliance management system documents” refer here to a system of documents commencing with the Control Document. The main documents are comprised of the “ethical-legal compliance basic policy,” “code of ethics,” “implementation plan,” and the “overall internal regulations,” related documents here refers to the “various compliance manuals” and the “internal regulations” of the respective individual departments. Other documents include records relating to ethical-legal compliance activities. The third category of documents includes, for instance, records of education and training, auditing reports, questionnaire survey results, consultation and reporting records, records of problem prevention and corrective action, questionnaire forms, and checklists for monitoring procedures. This system of documents is illustrated schematically in exhibit 3.

Exhibit 3: Ethics compliance management system documents



As shown in *Part Two* of this Guidance Document, the Control Document is a system designed to cover all the requirements of the ECS2000 in a manner best suited to the particular organization. Because the Control Document will form the blueprint for all the organizations ethical-legal compliance activities it is necessary that this document be prepared by the ethical-legal compliance management department and approved by executive management. Following this it should be distributed to the heads of all the organizations departments and sections. The ECS2000 Control Document is intended to serve only as an example, and the organization is not required to comply with it as shown. Instead the organization is recommended to compile its own Control Document in accordance with its own particular situation and needs.

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4.4.5 Document control

The organization must establish and maintain a document management procedure to control the main, related and other documents which fulfils the following functions.

- a. Ensure that the location of each respective document is known.
- b. Ensure that the latest versions of all documents essential for the administration of the ethical-legal compliance management system are available in all departments where they are needed.
- c. Ensure that documents which are outdated or

have been annulled for any other reason are removed from all departments where they have been produced or are being used. Where they are not to be removed, to ensure that they are not used unintentionally.

- d. Ensure that all outdated documents which are stored because of legal obligations or for the purpose of information collection are suitably categorized and filed.

- e. Ensure that documents are designed for clarity, that all dates are clearly marked, and that all documents are preserved for the period required.

G 4.4.5 Document control

Of particular importance in document control is to systematically produce and maintain all documents concerning ethical-legal compliance management in such a way as to ensure the effectiveness of the system and the accountability of the organization with respect to external organizations and third parties. For this purpose it is necessary to prepare a general regulation for the control of documents.

In order to manage the versions and locations of an organizations ethical-legal compliance documentation it is recommended that a "document control record" be maintained containing a list of all documents, their history of revisions, reasons for all revisions, and storage locations. Rules for the management of the list of documents should be compiled and applied throughout the organization. These rules may include, for instance the practice of marking all decommissioned documents which (must be stored for a certain period) clearly in red with a "decommissioned stamp." This alone would greatly reduce the effort required in managing and using an organizations documents.

Electronic distribution via an intranet is also an effective technique for distributing documents relating to ethical-legal compliance throughout an organization. Using such a technique, revisions and decommissions can be accomplished with a minimum of labor, and the need for making copies and the cost of transporting documents can be eliminated. Measures should be taken however, to ensure that these electronic files can only be revised and rewritten by authorized personnel.

Where circumstances make it impossible for an organization to manage the documents relating to the ethical-legal compliance management system, the ECS2000 makes the allowance for the organization to concentrate its document control on only the main documents. This is permitted however; only when doing so will not exacerbate the risk of illegal or unethical activity on the part of the organization. Where the scope of document control is restricted, the organization must insure that it is still capable of rationally proving that risks are not likely to escalate. In such documents, records describing cases of

illegal activity during the past three years, the results of opinion surveys administered among the organizations members, and the results of interview surveys conducted by third parties in general can be used as evidence. Document control must be performed in a manner which is both efficient and suited to the scale and nature of the organization.

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Exhibit 4: Document Control Record

Document Number	Document Title	Distribution	First version		Modified version		Disposal		
			release	withdrawal	release	withdrawal	Reason for	Managing department	Date of
1001	Ethics policy	All personnel							
1002	Code of ethics	All personnel							
1011	Compliance manual 1	Accounts							
1012	Compliance manual 2	Accounts							
1013	Compliance manual 3	HR							
1014	Compliance manual 4	HR							
1015	Compliance manual 5	HR							
1021	Internal regulations 1	General affairs							
1022	Internal regulations 2	General affairs							
1023	Internal regulations 3	Planning							
1024	Internal regulations 4	Accounts							

4.4.6 Operational control

In the event that the organization receives a report or consultation indicating that an action in violation of the code of ethics, or the ethical-legal compliance manual has occurred, it must make every effort to expeditiously consult the related departments, investigate the alleged violation, and take action appropriate to redress the problem.

The problematic action here can be classified into two groups: one which can be handled within the organization, and one which should be reported to a relevant regulatory agency. Procedures to

determine which category the problematic action belongs to must be established and maintained.

The processes involved here in investigation and redress must be thoroughly documented and these documents subsequently preserved.

Where claims are made suggesting that the individuals or departments initiating a report have become the subject of retaliation, the situation must be investigated and action to redress this problem must be taken where these claims are proven to be valid.

G 4.4.6 Operational control

Operational control can be divided into three groups of activities. The first is to administer a rapid and effective response in situations where behavior which is in violation of, or fails to comply with, the ethical policy, the code of ethics, or the various compliance manuals has become apparent. The second group concerns the elimination of any activities which interfere with the mechanism of compliance. Specifically, retribution must be made in cases where it is recognized that retaliation has been made against any member of the organization who has participated in reporting/consulting activities. The third group of activity concerns formulating a concrete implementation plan and undertaking ethical-legal compliance activities in accordance with it.

Group 3 has already been dealt with in section 4.4.1 concerning the duties of the ethical-legal compliance management department. The ECS2000 contains a separate clause dedicated to the first and second groups of activity because of the considerable importance they hold with regards to ethical-legal compliance management activity.

The first group of operational control activities carries on from the communication discussed in the previous section. In other words, when the organization is presented with information via the communication system, if that communication takes the form of a consultation, suggestions and counseling should be given. If it is a report of a problem, the situation should be investigated by the relevant departments, the problem should be ranked in terms of its urgency and risk, and necessary actions to resolve this problem should be taken. In the latter case there are instances where the department involved is able to solve its own problems and some instances where the approval of executive management is necessary. Because of this it is necessary for the organization to decide the way in which it will deal with and solve problems in order to perform operational control for the first group of activities. Basically, in the event of a problem occurring, this process involves determining the stakeholders influenced by the problem and the degree to which they are influenced by the problem. Based on this, the organization must then decide whether it will handle the problem internally, or report it to outside authorities and parties.

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Problems can be handled internally when it is determined that they have very little impact externally. However, in such cases there are instances where it is advisable to inform the members of the organization regarding how the problem arose and the method by which it was dealt with. By contrast, problems which are deemed to have considerable external impact must also be reported externally. When making an external report, although it is important to consider the content, scope, and the target of the report, reports in emergency situations must be prepared and released rapidly. Because of this it is necessary that the committees and personnel who are responsible for disclosing such information externally be determined in advance. In the case of first group activities is also important to record the entire process from the initial stages of preliminary investigation up until actually taking action to resolve the situation. Keeping records here will have the eventual result of improving the efficiency of operational control.

The second group of activities concerns the prevention of retaliation and making retribution where retaliation has occurred. The procedure here is to first inform all members of the organization that retaliatory activity is unethical, where a case of retaliation is reported, a rapid, appropriate and fair investigation of the incident should be conducted, and in the case that the claim should be proven true, concrete action should be taken to make retribution.

Group three activities can be dealt with according to section 4.4.1 "*Implementation plan*" or in section 4.4.6 "*Operational control*." The system used should be designed to match the needs and characteristics of the particular organization.

4.4.7 Emergency preparedness and response

The organization must develop and maintain a procedure for use in the event that an emergency situation arises in which an unethical act involving the executive officers (the organizations highest levels) of the organization occurs. In the

event that the organization receives information indicating that an emergency situation has arisen, this information must be officially reported to the organization's executive officers and recorded as such.

G 4.4.7 Emergency preparedness and response

Emergency situations warrant special attention within the context of implementation and operation. The ECS2000 defines an emergency situation as a situation in which an organizations executive management is involved in unfair trading practices or irresponsible behavior which has come to be perceived as a social problem. The general meaning of an emergency situation usually refers to a crisis which the organizations regular ethical-legal compliance activity is not capable of controlling. Executive management's involvement in unfair trading and irresponsible behavior is one instance of an emergency which cannot be controlled using regular procedures. Because of this the ECS2000 defines these situations as "*emergencies*" and requires that preparations be made in advance to deal with them.

There are some organizations which include in their definition of "emergency situations" and prepare for such events as fires and environmental accidents, bad publicity, emergency recalls, and widespread boycott activities. Where they are considered to be relevant, it is acceptable to include them in the list of crises.

Executive management within some organizations may feel resistance to this requirement regarding emergency situations. They are likely to question the need to prepare for their own involvement in illegal activities and establish procedures for dealing with such situations. Even though they feel that there is no possibility of such a situation arising, it is a basic presumption of the ECS2000 that it is important to plan for such events when they are not in evidence or appear likely to occur. This is because it is virtually impossible to deal with such an emergency situation at a time when the corporation's integrity has all but ceased to exist and function.

The actual procedures here are left to the discretion of the individual organization; however the ECS2000 sets out the minimum requirements for these preparations as follows. In the event that the ethical-legal compliance management department receives word that an emergency situation involving executive management has developed, it is to prepare a report concerning the matter and including the original information, present executive management or individual members of executive management with a copy of this report, recording at the time and contents of the report and the person to whom it was reported.

This requirement may appear very simple in the context of some organizations and extremely difficult in others, however, the point here is that recording such reports in this manner has a very strong effect upon the organization. Some may criticize this by suggesting that executive management could bring

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pressure to bear to have these reports and their records erased. The response to such criticism is that the onus is upon the organization to make such fears unnecessary. For instance, in the case of a private corporation, it should be possible to deal with this by introducing a regulation prohibiting the destruction of documents without valid reasons (such as their being outdated), or making it impossible for documents to be disposed of without the approval of the external director in charge of audits or the head of the ethical-legal compliance management department.

It is important that each organization develops a realistic procedure for handling such situations in the event they should occur. It should not be forgotten when preparing these procedures that it is the responsibility of the organization to inform the relative authorities of such problems as early as possible and to actively participate in subsequent fact-finding and investigation activities. Apart from this, in the case of a private corporation, it is also useful to establish a special commission such as an auditing commission staffed by members of the board, or a risk management commission to deal with these situations effectively and fairly.

4.5 Monitoring and corrective action

G 4.5 Monitoring and corrective action

There are two levels of meaning within the term monitoring (checking) used in the ECS2000. The first refers to the monitoring that is conducted throughout the organization on the front line. The second refers to that conducted by an independent specialist division as part of the ethical-legal compliance management system audit (also known as an “internal audit” or “audit”). Monitoring and auditing are not intended as the first line of defense in detecting irregular behavior. Although there may be cases where these activities will result in the uncovering of irregular behavior, they are primarily intended to prevent the occurrence of such behavior and are designed and performed to discover problems at their earliest stages and to identify problems which are preventing the organization from achieving its goals of ethical-legal compliance.

The ECS2000 is not solely concerned with the preparation of codes of ethics, manuals, and records of ethical-legal compliance activities. It also emphasizes whether or not an organization is developing an environment which is supportive of, and positively contributing towards, the growth of ethical values. These initiatives are meaningless without an actual improvement in the performance of ethical-legal compliance. It is of course difficult to assess the extent to which an organization is actually performing in an ethical manner. Administering anonymous questionnaires on a regular basis will enable however, the organization to ascertain the ethical condition within it.

In section 4.4.3 “*Communication*,” it was recommended that the organization should regularly conduct opinion surveys of its members. The intention of these surveys however, is to evaluate the risks and problems which the organization contains, or to gather information regarding the suggestions of its members for ethics and social contribution. In comparison to this, the surveys that are initiated as part of the monitoring process are primarily intended to assess the organizations performance in ethical-legal compliance.

In the event that such a survey is suggested, comments are often heard to the effect that “it will be good if the results are positive, but what should we do if the results are unfavorable?” The surveys implemented as part of the monitoring process however, are not intended to yield good results. For instance, if a survey reveals that the organizations ethical-legal compliance performance is less than it was three years earlier, this alone is a very valuable piece of information. In this case, executive management should devise a plan for improvement based on these results and include it in the next round of planning and implementation. This process is covered in detail in section 4.6.

The content, format, frequency, and department responsible for the administration of these surveys are all left to the discretion of the individual organization. In cases where it is deemed possible, it is acceptable to administer surveys designed to gather information regarding ethical risk at the same time that questionnaires concerning ethical-legal compliance performance are administered.

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4.5.1 Monitoring and evaluation

The organization must establish and maintain a standing procedure for the regular monitoring and evaluation of matters pertaining to functions with a potentially high social impact, and matters

derived from consultations and reports from members of the organization, as well as the level and extent of compliance within the organization to relevant laws and rules.

G 4.5.1 Monitoring and evaluation

As already discussed above, monitoring is an activity designed to check the performance of each individual department. The actual technique for conducting monitoring is left to the discretion of the individual organization. An effective form of monitoring however, is to use a checklist. A checklist based on the code of ethics or the respective compliance manuals can be compiled and used by individual members of the organization for self-evaluation, or by the heads of the various departments to evaluate their own departments or sections.

However, making one checklist for the entire organization and applying it across all the departments is not a particularly effective method. Such a technique may be effective in the early stages of initiating an ethical-legal compliance program, however, as the program progresses beyond a certain point, it becomes more productive to compile a checklist for each department by considering their respective and distinct level of social influence, past record of problems, and changes in the legal environment.

Basically, each department tends to have a good grasp of its own risk of illegal activity and potential for failing to comply with social norms. The members of each respective department are also usually well aware of whether or not the workplace is actively pursuing, and making achievements in the pursuit of, its given ethical-legal compliance goals. It is important therefore to prepare a checklist that each department member can answer truthfully, and that will contribute to further developing an awareness of ethics in each workplace.

Where monitoring based upon checklists show that within any single department several individuals respond that they “feel that they lose sight of their given ethical objectives every now and then,” then the heads of each department (or alternatively the ethics officer or the compliance officer) should recognize that they have a structural problem within the workplace and should give serious consideration to processes whereby this problem can be resolved. Where the problem can be resolved within the respective department, necessary action should be taken and that action should be documented. However, where the problem concerns a specific individual, or when it is difficult to come to a decision on a possible course of action within the department alone, discussions should be held between the respective departments under the direction of the ethical-legal compliance officer with the goal of developing a coordinated solution.

4.5.2 Correction and preventative action

Where the organization's actions do not comply with the policy of ethics, code of ethics or the ethical-legal compliance manuals, and where the administration is found to be in conflict with the plans and internal regulations, the organization must initiate an investigation of the conditions leading up to this situation. The organization

must then reform the ethical-legal compliance management system in order to prevent the further occurrence of such problems.

Reforms and preventive measures, taken with the intention of resolving such actual and potential mismatches within the system, must reflect the scope of the gravity of the problems involved.

G 4.5.2 Correction and preventative action

Corrective and preventative action is not initiated solely upon the basis of the results of self-evaluation through monitoring, but also in consideration of the results of management system audits carried out by the auditing department. Both monitoring and audits are activities used to determine whether or not the organization is making progress in the attainment of its ethical goals, and whether or not its ethical-legal compliance management system is following all relevant laws, standards, policy of ethics, code of ethics, and respective compliance manuals. In the event that irregularities are discovered by means of this process, the organization must take corrective or preventative measures as required.

Corrective and preventative measures should be administered according to the following procedures:

1. Determine the cause of the irregularity.
2. Determine and administer the required corrective action.
3. Perform a follow-up audit in order to determine whether or not the corrective or preventative action has been effective.
4. Record and document the action involved in the corrective or preventative action and the changes that resulted because of it.

Wide-reaching corrective actions and modifications should proceed only with the approval of executive management. This procedure is covered in section 4.6 "*Management review*" and 4.7 "*Drastic system reform following emergency situations*" respectively.

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4.5.3 Records

The organization must develop and maintain a procedure for the production, classification, storage and disposal of records concerning events and achievements which occur in the process of ethical-legal compliance activities including education, reporting/consulting, redress of and re-

sponse to problems, audit results, opinion surveys, corrections and reforms. Where issues of individual privacy and confidentiality are involved, appropriate recording procedures must be developed and maintained.

G 4.5.3 records

In order to give proof of its commitment to ethical-legal compliance, and in order to solidify this commitment, the organization is required to record its ethical-legal compliance activities and preserve these records for a set period of time. In order to accomplish this, the organization is required to clarify the nature of the activity to which the record relates, the department and individual who prepared it, the place where it is stored, and the person responsible for its preservation, and to include this information along with the record itself so as to enable various searches to be performed at a later date. However, where the record concerns a matter of privacy, access to it should be duly restricted. A set of procedures should also be developed to deal with the production, storage, privacy management and disposal of records.

Preserving records of all audits that are conducted and making it possible for them to be searched automatically is also an important factor contributing to the organizations ability for self-explanation. Without such records it is not possible for the organization to give proof of its ethical-legal compliance initiatives and achievements to anyone outside the organization. For this reason the creation and preservation of records is made a requirement here. "Records" are referred to here in the same meaning as "other documents" used in section 4.4.4 "*Ethical-legal compliance management system documents.*" These records include the following:

Training and education: training and education plans, training implementation records, questionnaire surveys administered after education and training.

Reporting/consultation: records of receipt, solutions to problems, suggestions for modification, confirmation records by the respondent.

Opinion surveys: questionnaire forms and results.

Complaints from external and third parties: records of receipt, solutions to problems, confirmation records by the respondent.

Operational control: cause analysis reports, solutions to problems, and records of corrective action.

Records of preparation for and response to emergency situations.

Monitoring: checklists, self-evaluation results.

Audits: audit plans, audit contents, results, records of irregularities, records of communication with related departments.

Audit reports: orders to correct and reform, follow-up audit reports.

Corrective and preventative action: records regarding corrective and preventative action processes.

Management review: review the modification plans, including them as a basis for the implementation plan of the next cycle.

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4.5.4 Ethics compliance management system auditing

The organization must develop and maintain a procedure for auditing the ethical- legal compliance management system. These internal audits must be carried out with the intention of ensuring that the ethical- legal compliance management system meets with requirements of this international standard, and that it is appropriately set-up and maintained. Audit reports must be submitted to the executive officers of the organization, the office of ethical-legal compliance, and the sections which have been audited.

In order to ensure that the audit is comprehensive in nature, the audit procedure must clearly outline the scope, frequency and method of audits. The audit procedure must also specify the authority and responsibility involved in conducting the audit and reporting the audit results. The requirements for ethics compliance management system auditing do not preclude the outsourcing of the audit function to external and third parties.

G 4.5.4 Ethical compliance management system auditing

There are basically three requirements for ethics compliance management system auditing. Firstly, audits are required in order to determine whether or not the organizations management system meets the requirements of the ECS2000, and whether or not it is functioning in accordance with the organizations own ethics policy, code of ethics, respective compliance manuals and implementation plans. Secondly, follow-up audits are required after irregularities have been discovered and reported and corrective measures have been taken to resolve them. And thirdly, audit results should be written up as audit reports and presented to executive management, the head of the ethical-legal compliance management department, and to the heads of the departments which were subject to the audit.

The department responsible for performing the audits should be made independent of the department subject to the audit, and should maintain a degree of independence from the ethical-legal compliance management department. It is also desirable that the auditing department or the individual conducting the audit has undergone specialist education in that field. However, where the scale and nature of the particular organization makes it difficult to establish an independent audit department, it is acceptable for the audit to be conducted by an external organization independent of the department to be audited or by an individual in a similar position. It is also possible for the ethical-legal compliance management department to perform the audit function. In such instances the functions of reporting/consultation and auditing must be clearly separated from each other. Generally this involves assigning different personnel to each function.

Regardless of the format, it is critically important that the independence and trust of the management system audit be preserved at all costs. It is important therefore, to define the mechanisms whereby each organization may effectively perform necessary audits. For instance, audits can be outsourced to third parties, departments can audit each other, or external experts can be contracted to perform audits.

The following is a description of an audit process:

1. Preparation

It is generally unrealistic, both in financial and physical terms, to perform an audit which covers all aspects of an organization's ethical-legal compliance activities. It is suggested instead that the organization prepares its audit plans on several levels. The first level is to plan an audit by concentrating upon those departments which, by nature of their activities, have a relatively high likelihood of illegal or unethical activities, present a higher level of potential risk, or are in the process of administering a thorough-going modification of their ethical-legal compliance management system. This alone however, is not adequate as an audit. The second level for planning audits used here is to regularly alter the scope and frequency of audits (as far as possible given imitations of resources) and attempt to cover the entire organization which audits using this staggered process.

The scope of audits should be determined by consultation between the auditing department and the ethical-legal compliance management department. At this stage the organization should also prepare a manual which can be followed during the audit process, and consider the most important subjects for the audits in advance.

2. Audit plans and initial meetings.

In accordance with the audit scope determined in the planning stage, the members of the auditing team for each department which is to be audited should be selected and a schedule for conducting the audits should be finalized. One effective technique for auditing includes subjecting personnel from each rank (directors, department heads, section heads, and regular organization members) to a separate and individual interview. This technique however, because of the time required to administer it, can cause disruption to the work process. It therefore requires due consideration for schedules in order to be made a viable option.

Once the scope of the audit, the main points of the audit, the audit teams and the schedule have been finalized, the audit team members should be assembled and a pre-audit briefing or meeting should be held. At this briefing the audit implementation plan, objectives, and main points of the audit should be discussed and clarified, and the role of all those involved in the audit should also be clearly defined. Additionally, in order to permit the smooth administration of the audit, the department to be audited should be informed in advance of the schedule, and should be notified of any necessary documents to be prepared in advance and, where necessary, the members of the audit team should review these documents before performing the actual audit.

3. Implementation of the audit.

Information should be collected during the audit which can be used to prepare the audit report. It is important that evidence gathered during the audit should be based on clear and objective facts. Interviews, documents surveys, and direct observation are some techniques which can be used in an audit. The techniques actually employed however, should be selected in accordance with the nature of the organization and the situation of the department being audited. Records of interviews conducted during the audit become valuable evidence, and it is important therefore to enhance their reliability by augmenting them with data and information developed using techniques other than interviews.

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Once evidence has been gathered using the audit, it is then necessary to systematically record and arrange the data and prepare the audit report. The audit report will become an important part of the audit findings and it is important therefore that it be clearly based upon facts and presented in a readily understandable format. Upon completion of the audit a debriefing should be held involving the head of the audited department and personnel from the ethical-legal compliance department. During this debriefing the members of the auditing team should present the findings of the audit and ask for the confirmation of their findings. It is important here to present the results of the audit and explain the details of all irregularities discovered and suggestions for any corrective action which will be included in the final report. Approval for this should be sought from the head of the audited department.

4. Preparation of the final audit report.

Within a predetermined period of time after completion of the audit the final audit report should be prepared, distributed to those persons concerned, and any necessary corrective activities should be proposed. It should be kept in mind that the final audit report will become an important document in the case of any management reviews. The personnel responsible for conducting the audit will prepare the final audit report based on the contents of the interim audit report. They should be careful to produce the final report upon the basis of clear and concrete facts and in an objective manner. Where irregularities have been discovered, developments concerning them made in the period following the audit should also be noted. In cases where corrective action has already been finalized before the final audit report is completed, a record of this finalization should be included in the report. Care should be taken when preserving and storing the audit report in cases where it may contain confidential or proprietary information.

The final audit report should cover the following points:

- Goal and scope of the audit.
- Date and duration of the audit.
- Names of the audit team members and office in charge.
- Outline of the audit procedure (including any difficulties that were encountered during the process).
- Facts revealed by the audit and conclusions of the audit.
- Progress made on corrective actions at the time of audit report preparation.

5. Procedures for corrective actions and follow-up audits.

Where corrective orders have resulted from the audit, necessary actions, led by the head of the audited department, must be taken to redress the irregularities and their cause. In addition in order to fully utilize the findings of the audit, and in order to confirm the effects of the corrective action, a follow-up

audit should be administered. The timing and process of the follow-up audit should be determined by consultation among the ethical-legal compliance management department head, the ethics compliance officers from the department involved, and the members of the audit team. The approval of the head of the audited department should also be sought before the follow-up audit is conducted.

And audit checklist as shown in exhibit 5 should be prepared as the basis for the audit. Care should be taken so that the major requirements of the ECS2000 are met by the audit, and that it is conducted in a systematic manner.

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Exhibit 5: Overview of ethics compliance management system auditing

Audit content	Department	Document	Corrective action	Follow-up
4.2 Formulating an ethics compliance basic policy & producing manuals				
4.2.1 Formulating an ethics compliance basic policy				
4.2.2 Disclosure of ethical-legal compliance policy & producing manuals				
4.3 Planning				
4.3.1 Implementation plan				
4.3.2 Legislation & other related regulations & rules				
4.3.3 Internal regulations				
4.4 Implementation & operation				
4.4.1 Structure & responsibility				
4.4.2 Education & training				
4.4.3 Communication				
4.4.4 Ethics compliance management system documents				
4.4.5 Document control				
4.4.6 Operational control				
4.4.7 Emergency preparedness & response				
4.5 Monitoring & corrective action				
4.5.1 Monitoring & evaluation				
4.5.2 Correction & preventative action				
4.5.3 Records				
4.5.4 Ethics compliance management system auditing				
4.6 Management review				
4.7 Drastic system reform following emergency situations				

4.6 Management review

In order to ensure that the ethical-legal compliance management system is appropriate and effective, the organization's executive officers must review this system at regular, pre-determined intervals. The organization must collect and manage the information needed by executive officers in their evaluations and reviews of the management system. These managerial reviews must be made upon the basis of data collected in

a systematic manner.

From the viewpoint of the continuous improvement of the system, taking into consideration the results of the ethics compliance management systems audit and changes in conditions, the executive officers should, if necessary, modify the policy of ethics, code of ethics, internal regulations, education programs, and reporting/consulting system.

G 4.6 Management review

Communication, operational control, and audits are all activities by which the organization can discover the structural problems and potential risk of illegal and unethical behavior before they occur. If nothing is done however, upon discovering these problems, the organizations ethical-legal compliance performance cannot hope to be improved. It is here that the ECS2000 calls for the last stage of the P> D> C> A cycle, that of review. The scope of review here is extremely wide. Starting with the policy of ethics it includes all the details of the legal ethical compliance behaviors. Generally, in cases where the review is extensive enough as to require the input of the entire organization, the content of the review must be included in the implementation planning stage (the "P" in the PDCA) of the next cycle.

The ECS2000 stipulates here that the organization must "collect and manage the information needed by executive officers in their evaluations and reviews of the management system. These managerial reviews must be made upon the basis of data collected in a systematic manner." This requires that the organization be innovative in its data collection techniques. As an example the organization could make use of the following communication channels and procedures.

The first is the audit report. Problems evident in the current ethical-legal compliance management system, current progress in rectifying problems identified and called for in past reports, and progress to date in achieving the goals set out in the implementation plan are all the described in the conclusion of the report. Reviews can be considered based upon this material.

Secondly, another major source of information comes from the variety of data which is collected within the ethical-legal compliance management department in the course of its normal activities. For instance, information collected at the reporting/consultation desk, inquiries and complaints received from trading partners dealing with the organization, opinions expressed by members of the organization with regards to ethical reforms believed necessary to improve aspects of various processes within the organization, opinions of members regarding the policy of ethics, requests and demands made upon the organization by stakeholders, and information on problems occurring from the need to adapt to changing legal regulations. All these forms of data can be used as the basis for considering possible re-

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views.

Third, data collected as a result of opinion surveys conducted as part of communication activities and, opinion surveys conducted during audits can be prepared and presented to executive management.

Fourthly, another source of information is to be gained from the data submitted by organization members as a part of their obligations under the “*individual self evaluation ethical compliance reporting system*.” Under this system members of the organization are required to submit an annual report on their individual compliance performance for the past year. Even when told that they can freely consult regarding anything that concerns them, the members of a typical organization will rarely take advantage of this. It is particularly difficult for most people to offer information in this manner, especially when this information concerns a colleague. In order to ameliorate this reticence, and in order to gain information on potential risks within the organization, an individual reporting system can be particularly useful.

Fifthly, information gained via the open door policy can be used here. Be it from audit reports, everyday information, results of opinion surveys, or through the “individual self evaluation ethical compliance reporting system,” the executive management is capable of assembling a considerable body of information. However, because this information is arranged by respective departments in a sense it has also been subjected to a filtering process. The so-called “open door policy” is a technique for avoiding this filtering. This involves an organization member going around the usual chain of command and speaking directly with the chief executive officer or a member of the board. This technique is extremely effective for rapidly assessing potential problems or problems in their very early stages.

4.7 Drastic system reform following emergency situations

In the event of an emergency situation wherein executive officers of the organization are involved in unethical behavior, upon conclusion of the emergency the organization must submit to

consultations and review by an external body and initiate a through-going reform of the organization.

G 4.7 Drastic system reform following emergency situations

The ECS2000 contains one more requirement regarding management review – this consists of a follow-up procedure where executive management has been a party to illegal or unethical behavior. The development of a procedure for dealing with emergency situations, as required by section 4.4.7, can in a sense be said to be a preventive measure for these problems. For example, "*Emergency preparedness and response*" can be said to be a solution based on preventing irregularities, or solving them in their very early stages. Requiring rapid handling of these problems immediately after their occurrence is also another technique for preventing them or discovering them at the very early stage in the future.

In comparison, the "drastic reform" and "thoroughgoing modifications" discussed here is based on the idea that there must be serious structural problems in any organization in order to allow the executive management to become involved in serious illegal or unethical acts. Occurrence of such acts warrants a drastic reform of the entire organization. Some may ask "what is in there left to be done after having already undergone legal, political, and social censure at the discovery of a major wrongdoing." However, after being forced to face their shortcomings in front of the media, and promising to renew their efforts to act as responsible corporate citizens in the future, most corporate executives fail to make any real efforts to reform their ways whatsoever. Such performances do nothing to fulfill a corporation's obligation of accountability towards their members, and external stakeholders. This is the reason why the ECS2000 requires drastic reform after an emergency situation.

The "consultation by an external body" mentioned here refers to receiving advice regarding organizational reform from an independent organization. The process of selecting such an independent organization is left to the discretion of the organization itself. However, this does not mean that the organization may seek out an external consultant who is likely to avoid giving any "difficult advice." Has already stated, the ECS2000 places a strong emphasis upon the organizations obligation for social accountability. Any organization which is giving due emphasis to its own social accountability should have no difficulty in choosing an appropriate consulting body. It is important that the organization choose to a consulting body which it can both trust, and will seriously challenge it to reform. Receiving advice from such an organization is a certain way to commence a through going reform. In any organization those most likely to resist reform are the organizations own members. Receiving advice and consultation from an external body is essential for both fulfilling the organizations obligation for social accountability and, at the same time, for overcoming internal resistance to fundamental change.

Part Two | Model ECS2000 Control Document

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ECS2000 Control Document *Example*

Model Corporation¹

Version 1

January 1, 2001

Distribution: Ethics Office

Approved by:

Mike Ethical

Mike Ethical

President

Model Corporation Inc.

¹ "Model Corporation" is a fictitious company name employed in this example in order to indicate places where an organization would be expected to place its name within the completed control document.

Notes on Cover

- It is important to gain an understanding of, and secure cooperation for, an ethical-legal compliance management initiative from among the members of the organization when introducing and utilizing the ECS2000.
- For this it is important to first create the necessary awareness of the overall management system involved in the ECS2000 among all those concerned. This Control Document is designed to assist in achieving this goal.
- The Control Document presented here is, however, only an example. Different formats or styles may be used where appropriate.
- It is desirable that the Chief Executive Officer of the organization gives final approval for the Control Document. As an indication of this approval, and as a clear message of support, the Chief Executive Officer should sign the Control Document.

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o. Contents

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1. Scope

1-1 Scope

This ECS2000 Control Document (referred to below as the *Control Document*) should be applied to all executives and employees (referred to below as *personnel*) of the organization equally.

The Ethical-Legal Compliance Officer (referred to below as the *Ethics Officer*) and the Heads of Departments within the organization (referred to below as *Managers*) are expected to promote the following actions and procedures:

1. To prepare, maintain and improve an Ethical-Legal Compliance Policy (referred to below as an “Ethics Policy”), Implementation Plan, and Internal Regulations as needed to conduct the business of the organization in a manner both fair and fitting.
2. To check whether or not the organization is acting in accordance with the ethical policy set out in this control document and, where necessary, to publicize achievements of the goals set out within the implementation plan.
3. To realize the organization’s social influence, increase the transparency of its operations, and fulfill its social responsibility and obligation for accountability.

2. Normative References

(1) ECS2000 V1.2

02 Note

- In a private corporation the scope of coverage of the Control Document includes all personnel from the CEO and Corporate Officers to regular, full-time employees. In other forms of organization this scope should be set to include all members from the executive manager down to individual members.
- An *Ethics Policy* must be produced and disclosed as part of the process of introducing and maintaining the ECS2000. Organizations are also encouraged to prepare and make publicly available a *Code of Ethics*, (in the case of a financial institution a *Compliance Manual*) *Implementation Plan*, and *Implementation Progress Report*.
- The only *normative reference* cited here is the ECS2000. Where necessary other standards may be added.

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3 Definitions

Definitions of terms used in the Control Document are as follows:

1. **Ethical Policy:** refers to a set of *Ethical-Legal Compliance Objectives* which the organization has prepared and publicized, and which it considers should be followed by all personnel.
2. **Ethical-Legal Compliance Management System Document:** Documents which detail the ECS2000 initiative of the organization, centered upon the Guidance Document and including regulations, standards, and records relating to Ethical-Legal Compliance Management.
3. **Implementation Plan:** An annual (or multi-year) plan prepared by the ethics officer or department heads with the purpose of concretely realizing the ethics policy. For instance, the subjects and timing of training and education programs, gradual improvement of the reporting and consultation system, education to promote awareness of ethics, various initiatives intended to improve the conduct of respective business activities from an ethical perspective, and initiatives for social contribution activities are included in this overall plan.
4. **Internal Regulations:** Rules of operation intended to ensure that the ethics policy functions as intended. For instance, the authority and responsibility of offices established to manage ethical-legal compliance would be setout in such regulations.

03 Note

- Key terms used in the Control Document should be defined here in order to facilitate ease of use for those expected to refer to and use it. Definitions need not be included here if it is deemed clearer to define terms in the sections in which these terms are actually used or first introduced.
- Care should be taken when a different meaning is attributed to terms already used within the ECS2000. For instance, it is important to clearly denote instances where the term *emergency situation* is not used to refer exclusively to inappropriate actions by members of executive management, but also includes accidents and disasters.

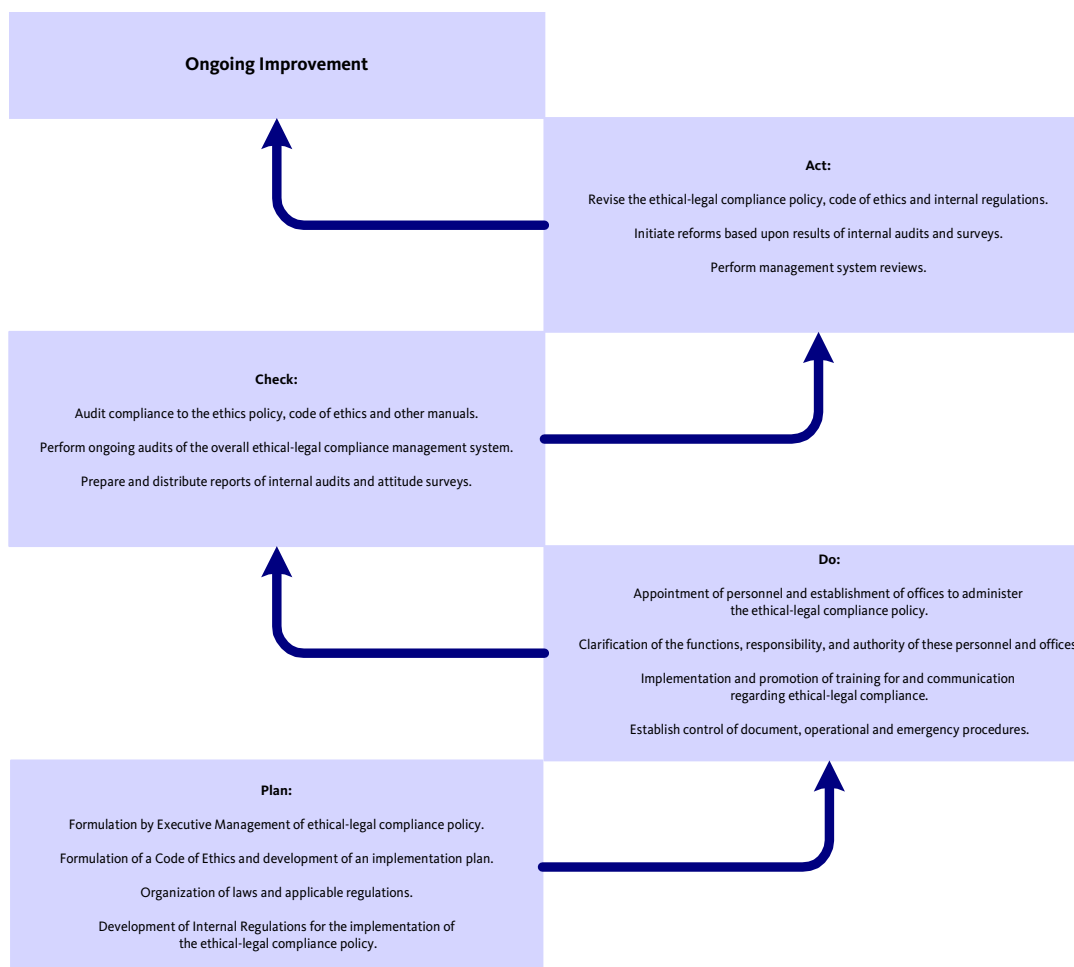
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4. Ethics compliance management system requirements

4.1 General requirements

1. All the requirements of the ECS2000 are illustrated in Section 4 “Ethics compliance management system requirements.”
2. The organization will establish, maintain and continuously improve upon a system by which these requirements may be satisfied.
3. The ethics officer will be responsible for the maintenance and management of the control document.
4. A management cycle as illustrated below will be implemented in order to achieve an ongoing improvement of the system.

Overall structure of the control document & management system



o4 Note

- The Control Document represents an adaptation of the ECS2000 to the needs of the individual organization.
- Ethical-legal compliance initiatives place the greatest importance upon ongoing improvement. It is therefore necessary that the organization undertakes its implementation of the ECS2000 in terms of an ongoing PDCA cycle.
- It is not necessary to be overly concerned with the more detailed requirements of the ECS2000 during the early stages of its introduction. It is more important at this stage to fully cover the overall structure of the ECS2000.
- Efforts to satisfy the more detailed requirements of the ECS2000 should be made in the course of making further and ongoing improvements in ethical-legal compliance activities.

ECS2000 Control Document Example		Page #:	05	
		Document #:	ECS-4200, 4210	
Section	4.2	Ethics compliance policy & manual making	Date:	Year/Month/Day
	4.2.1	Ethics compliance policy making	Version:	01

4.2 Ethics compliance policy and manual making

Concrete policies and codes of behavior for ethical-legal compliance are based upon the following three foundations:

The “*Ethical-legal Compliance Policy of Model Corporation*” the *Ethics Policy*

The “*Ethical Code of Model Corporation*” the *Code of Ethics*

The respective *Compliance Manuals*

4.2.1 Ethics compliance policy making

The Ethics Policy of Model Corporation

Basic Principles:

We, the management and employees of Model Corporation, hereby declare our intention to introduce and maintain a system of ethical-legal compliance which, grounded upon our corporate values, fulfils all legal and reasonable social requirements placed upon us. In order to accomplish this we set forth the following basic principles whereby we will:

1. Conduct our business in accordance with our social responsibility and public duty.
2. Respect individual members of our organisation and create a positive and constructive work environment.
3. Respect both the letter and the spirit of the law.
4. Conduct our business activities in a fair and transparent manner while taking full responsibility for our actions and their results.
5. Cooperate with and respect the rights of our local communities and all those who have dealings with our company.
6. Respect the rights of the international community and strive for ever higher standards of living for all.
7. Steadfastly resist any illegal or improper demands made of us.
8. Protect the natural environment for the sake of generations to come.
9. Choose integrity in such instances where ethical behavior and the search for profits conflict.
10. Build a corporate culture where these principles may flourish.

Mike Ethical

CEO, Model Corporation

In order to implement this policy of ethics, achievement objectives should be set for all respective departments within the organisation and an implementation plan developed.

o5 Note

- Writing the Basic Principles of Ethical-legal Compliance (Ethical Principles) requires considerable effort on the part of the organization.
- Although organizations usually establish special projects or committees in order to produce their policies and codes of ethics, particular care should be taken to ensure that these principles of ethics are based on a broad, company wide consensus.
- There is no standardized method available for developing a set of principles, instead several methods, including the following, can be found:
 1. Using corporate value statements and policies, and other statements issued by industrial associations, as references.
 2. Using the policies and principles established by other leading organizations in a process similar to benchmarking.
 3. Organizing issues and values by stakeholder and using these lists to compile a comprehensive code.
 4. Using the policies and codes of parent or related organizations as the basic framework for one's own policy.

ECS2000 Control Document <i>Example</i>		Page #:	o6	
		Document #:	ECS-4220	
Section	4.2	Ethics compliance policy & manual making	Date:	Year/Month/Day
	4.2.2	Disclosure of ethical-legal compliance policy & manual making	Version:	o1

4.2.2 Disclosure of ethical-legal compliance policy and manual making

1. Disclosure of policy of ethics
 - a. The ethics officer will compile a booklet based upon the ethics policy as developed by the ethics committee and distribute it to all personnel.
 - b. This booklet will be made available to all external parties who may request it.

2. Review of policy of ethics

The policy of ethics should be reviewed annually. According to the results of this review, the same policy may be used as is until the next review.

3. Review of code of ethics

- a. As an integral part of the policy of ethics, the code of ethics should be applied to the behavior of all personnel.
- b. The code of ethics should be reviewed at least once every three years. According to the results of this review, the same code may be used as is until the next review.

4. Development of the respective compliance manuals

- a. Where deemed necessary by the head of a department as necessary to control unethical behavior, a compliance manual containing a commentary on laws and regulations applicable to the respective business may be developed.
- b. As a part of this development process the ethics officer and department head must review the manual to ensure that it complies with the policy and code of ethics.

o6 Note

- The policy and code of ethics must be presented in such a manner that it can be used throughout the organization.
- The policy of ethics must be made publicly available. Disclosure of the code of ethics depends upon the respective organization but is, however, highly desirable.
- Individual compliance manuals are designed and produced for use in specific departments or occupations within the organization. They may also be developed in reference to specific topics or problems. It is not necessary, therefore, that these manuals be distributed to all personnel.
- It is not necessary to develop a compliance manual where use of the code of ethics alone is considered sufficient to deal with any risks which the organization may face, or where the use of manuals developed by third or other parties is deemed sufficient.

ECS2000 Control Document Example		Page #:	07
		Document #:	ECS-4300, 4310
Section	4.3 Planning	Date:	Year/Month/Day
	4.3.1 Implementation plan	Version:	01

4.3 Planning

4.3.1 Implementation Plan

Department heads will determine their department’s implementation topics, achievement objectives, delegate responsibility and produce an implementation plan.

1. Where possible achievement objectives should be stated quantitatively.
2. Implementation plans should be submitted to the ethics officer on a regular basis.

Implementation Plan Example

Section		Basic implementation points	Achievement goal	Person responsible
1	Sound business management	<ol style="list-style-type: none"> 1. Coordination of internal regulations applicable to respective department. 2. Training in insider trading prevention & restrictions for managers. 3. Corporate governance study workshops. 		
2	Management of work environment & respect of individuals	<ol style="list-style-type: none"> 1. Production of a work environment development plan. 2. Implementation of work environment monitoring. 3. Production of a sexual harassment counseling manual. 		
3	Legal compliance	<ol style="list-style-type: none"> 1. Review of laws and regulations applying to respective department. 2. Research into previous examples of violations. 		
4	Fair business	<ol style="list-style-type: none"> 1. Training for employees engaged in government related business. 2. Anti monopoly law study workshops. 		
5	Coexistence with local society	<ol style="list-style-type: none"> 1. Implementation of monitoring of waste disposal contractor. 2. Encourage volunteer activities among employees. 		
6	Coordination with international society	<ol style="list-style-type: none"> 1. Prepare foreign language versions of the Code of Ethics. 2. Promote cultural understanding among employees. 		
7	Social demands	<ol style="list-style-type: none"> 1. Maintain a telephone manual for external inquiries. 		

o7 Note

- The organization of the objectives given in the implementation plan may differ according to the size of the organization. In a smaller organization, for instance, it may be more efficient to organize objectives on a company-wide basis, whereas in larger organizations it may be more practical to organize objectives for each individual department.
- The implementation objectives shown here are only examples. Objectives must be designed to suit the respective organization.
- Implementation objectives should be expressed quantitatively wherever possible. Time spans, percentages and periods, for instance, should be included.

ECS2000 Control Document <i>Example</i>		Page #:	o8
		Document #:	ECS-4311
Section	4.3 Planning	Date:	Year/Month/Day
	4.3.1.1 Implementation plan document	Version:	o1

4.3.1.1 Implementation Plan Document

Department heads should document progress in the accomplishment of implementation objectives.

o8 Note

- Organizations should prepare a form with which to manage and evaluate implementation progress of individual departments which best suits their own particular situation.
- However, once the organization has determined its own particular format, it is necessary that it be applied throughout all departments in order to ascertain progress.
- Organizations are encouraged to publicly report their progress on their implementation plan annually. At present the markets and society are highly concerned with the ethical, social, and environmental initiatives of organizations. There is great interest in the evaluation and support of these activities. At a time like this, in order to gain the trust and support of society, it is important for organizations to disclose relevant information in a positive manner.

ECS2000 Control Document <i>Example</i>		Page #:	09
		Document #:	ECS-4320
Section	4.3 Planning	Date:	Year/Month/Day
	4.3.2 Legislation & other related regulations & rules	Version:	01

4.3.2 Legislation & other related regulations & rules

The ethics officer and department head should review laws and other regulations which apply to their organizations activities and make readily available a commentary describing and explaining these obligations.

This would entail the following:

1. The legal department should closely monitor changes and developments in the laws and regulations applicable to the organizations activities.
2. Governmental orders and directives pertaining to a particular department should be reviewed and filed by the department heads. Access to this information should be made available upon request.
3. Should the department head, while performing the review described above in point two, discover changes in laws and regulations which pertain to another department, they should pass on that information to the other departments concerned.
4. The ethics officer should perform checks on an ongoing basis to determine whether changes in relevant laws and regulations require that the control document be modified. When the need for modification arises it should be performed without delay and in accordance with the modification procedure.

09 Note

- Keeping up to date with the latest rules and regulations can constitute a considerable burden for smaller organizations. Smaller organizations should consider using publicly available information sources such as the Internet.
- Larger organizations should establish specialized departments such as legal departments, or retain the services of a legal adviser in order to keep up to date with legal changes. Where the organization relies on specialized departments or external advisors, department heads should take care to ensure that the copies of all laws and regulations stored within the departments are up to date. This process can be supported by holding seminars and workshops regarding changes in laws and regulations for the department heads.

ECS2000 Control Document Example			Page #:	10
			Document #:	ECS-4330
Section	4.3	Planning	Date:	Year/Month/Day
	4.3.3	Internal regulations	Version:	01

4.3.3 Internal regulations

In order to ensure the effectiveness of the ethical legal compliance initiative the following internal regulations should be developed. Personnel concerned should be encouraged to read and abide by these regulations.

Number	Title	Date		Responsible department
		Introduction	Modification	
001	Basic rules of ethical-legal compliance			Ethics Office
002	Basic procedures for ethical-legal compliance education & training			HR
003	Document control rules			Legal
004	Internal auditing rules for ethical-legal compliance			Auditing
005	Ethical-legal compliance committee regulations			Ethics Office
006	Disciplinary procedure for violation of ethical-legal compliance			HR
007	System of awards for achievement & contribution in ethical legal compliance			HR
008				
009				
010				

10 Note

- Although several internal regulations are shown in the above example, they are given as an illustration and not as an initial requirement. A more realistic approach would be to develop these regulations gradually overtime as part of the organizations ongoing ethical legal compliance initiative.
- Fundamental regulations such as the "*Basic rules of ethical-legal compliance*" should be submitted for authorization by the Board of Directors.
- It is not necessary to develop all of these regulations as separate and independent documents. Where possible these regulations can be compiled and included as part of the control document.

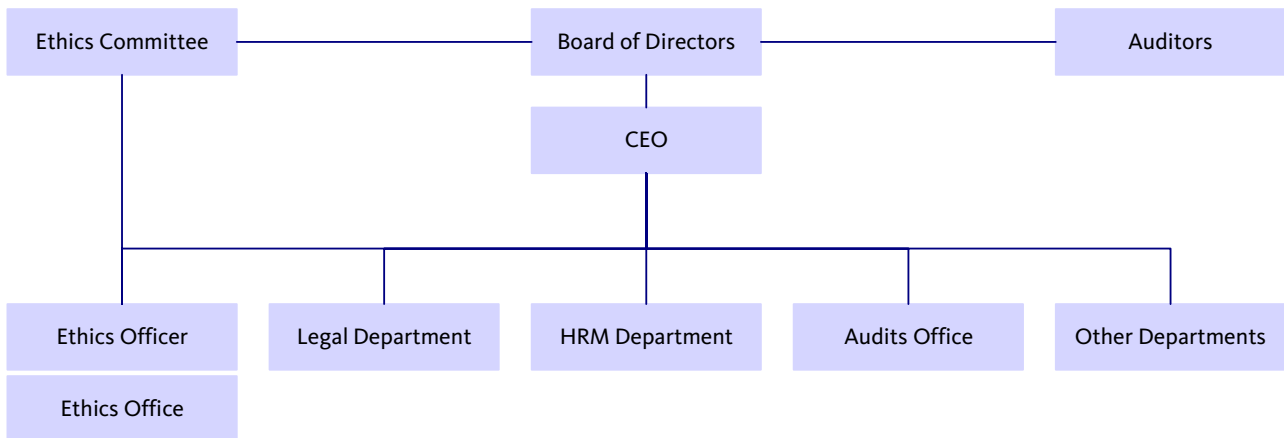
ECS2000 Control Document Example		Page #:	11	
		Document #:	ECS-4400, 4410	
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.1	Structure & responsibility	Version:	01

4.4 Implementation & operation

4.4.1 Structure & responsibility

The ethical legal compliance organization of Model Corporation is as follows. The purview and authority of each department and committee is outlined below and in the relevant sections of the control document.

Model Corporation will provide these departments with physical, labor, technical, and financial resources as their activities require.



- Ethical legal compliance committee** (ethics committee): responsible for producing ethical legal compliance policies for the whole organization and reviewing the ethical legal compliance management system. The chair of the committee should be chosen from among personnel of the rank of senior vice president or above, and the committee members should be drawn from senior management. The ethics office should provide administrative support to the committee.
- Ethical legal compliance officer** (ethics officer): the most senior official responsible for the promotion of the ethics policy. The head of the ethics office may be assigned to this role.
- Ethics office:** gives administrative support to the ethics committee, and performs day-to-day administrative functions of ethical legal compliance. For instance, management and modification of the ethics policy, review of the plan where required, administration of reporting in consultation activities, communication with third parties regarding the organizations ethical legal compliance, and review and assessment of the implementation process.
- Legal department:** management of laws and regulations. Provides legal support to departments within the organization.
- Human resource management department:** implementation of education and training programs, discipline of infractions of ethical legal compliance requirements, awards for special achievement in ethical legal compliance.
- Audits office:** responsible for auditing the activities of the organization and related organizations, and the management and administration of the ethical legal compliance management system audit.
- Departments:** develop ethical legal compliance implementation plans in accordance with the policy of ethics,

periodically review ethical legal compliance activities and conduct education and training for all personnel within the department, and manage and update the internal regulations developed within the department.

11 Note

- The organizational structure and lines of responsibility shown here are given only as an example.
- For instance, the establishment of an ethics committee and an ethics office are not compulsory. In accordance with the size of the organization it is acceptable that these functions be performed by the legal, general affairs, and human resource management departments. However, in such instances, it is essential that the individual within the organization with the ultimate responsibility for ethical legal compliance be clearly identified, and that the identity of this individual, their role and function, be made clear to all personnel.
- Where an ethics committee is established it is possible to include among its members personnel from the auditing and legal departments.
- In the case of large organizations, in order to ensure the efficiency and effectiveness of the organization-wide ethical legal compliance initiative, it is also possible to establish the position of an ethics officer, who would report to the head ethics officer, within each individual department. Where such a system is established, it is necessary to clarify reporting relationships between these officers and their respective responsibility.

ECS2000 Control Document <i>Example</i>		Page #:	12	
		Document #:	ECS-4420	
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.2	Education & training	Version:	01

4.4.2 Education & training

1. Annual training plan

The department head should prepare an annual plan for the implementation of ethical legal compliance training for all members of the department. This plan should be submitted to the ethics officer.

2. Report to the ethics committee

The ethics officer should submit a report to the ethics committee outlining the training plans produced by the department heads.

3. Record of training

The department head should implement ethical legal compliance education and training in accordance with the training plan and maintain a record of all training programs and their content.

12 Note

- Training and education are among the most important activities involved in the successful introduction of in ethical legal compliance management system. For the first three years after introducing the ECS2000, for example training and education should be given to all personnel on an annual basis.
- The aim of this training is to promote awareness among all personnel of the organizations ethical legal compliance initiative.
- Violation by even a single member of the organization will undermine the entire organization’s position. It is necessary therefore, that all personnel be exposed to an ongoing program of training and education. In order to facilitate this, it is necessary to keep a training record of all personnel.
- After the goals of general education and training have been met, it is possible to shift the focus of training initiatives to address specific issues or problems with which the organization may be particularly concerned.
- A record of education and training can serve as concrete proof of an organization’s commitment towards accountability. It is important therefore, that the organization maintains a record of training and education.

ECS2000 Control Document Example		Page #:	13	
		Document #:	ECS-4430	
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.3	Communication	Version:	01

4.4.3 Communication

1. Reporting and consultation

Several methods and channels of communication should be established to facilitate the reporting and consultation process. A consultation desk, written form of inquiry and an intranet based reporting and consultation mechanism should be established.

2. Reports and consultations from personnel

In principle all reports and consultations regarding ethical legal compliance should be lodged with an employee's immediate superior. However, where this is thought to be inappropriate, reporting and consultation should be directed towards a manager suitably located within the organization or otherwise directly to the ethics office. Where the report or consultation refers to activity which is in violation of the code of ethics or compliance manuals, the manager receiving the report or the ethics office should make a report to the ethics officer.

3. Protection of individual privacy

Whether it be a manager or a member of the ethics office, anyone receiving a report or consultation must protect the privacy of the reporter. Where resolution of the situation requires that the name of the reporter be disclosed, permission must first be obtained from the reporter, and the number of people receiving this information should be kept to an absolute minimum.

4. Inquiries from external stakeholders regarding ethical legal compliance

The public relations officer of the legal department should respond to inquiries from external stakeholders after consultation with the ethics office and the departments involved.

5. Records of reports and consultation

All reports and consultation's regarding ethical legal compliance must be recorded and filed. Care must be taken to protect the privacy of the reporter.

6. Prevention of retaliation

The ethics officer must make clear to all personnel that no retaliation against a reporter will be tolerated.

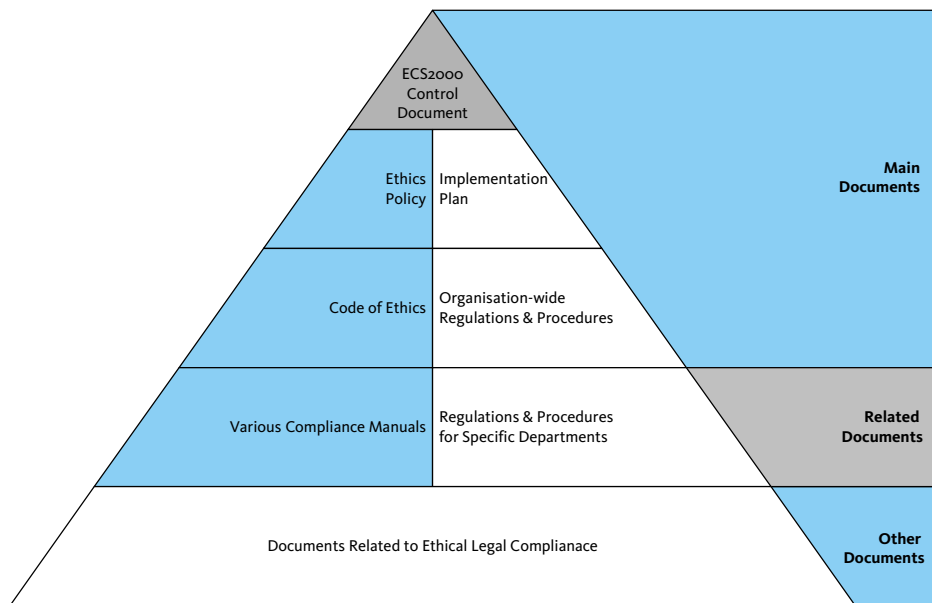
13 **Note**

- Communication here refers to establishing a department or some other means whereby reporting and consultation can be made possible, while at the same time ensuring the protection of the privacy of individual reporters.
- The organization must determine its own policy for handling anonymous reports and consultations.
- The need for this will depend upon the organization's willingness and ability to protect the privacy of individuals. For instance, where the organization has an adequate system for the protection of privacy it may choose not to accept or act upon anonymous reports and consultations. With the exception of defamatory and derogatory attacks upon other personnel, the organization should at least look into such reports.
- In the case of smaller organizations the establishment of specialized consultation facilities may serve instead to undermine the privacy of individuals. It is recommended therefore that the reporting and consultation activity be delegated to a trustworthy external organization.
- A system must be developed whereby claims and complaints by external stakeholders can be accepted and handled. Reports from external stakeholders require particularly careful attention.
- After the system has been introduced and has been in effect for a certain period of time the organization may consider establishing a system whereby the comments and constructive criticisms of external stakeholders can be received and, where necessary, included in the next implementation plan.

ECS2000 Control Document Example		Page #:	14	
		Document #:	ECS-4440	
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.4	Ethics compliance management system documents	Version:	01

4.4.4 Ethics compliance management system documents

Beginning with the control document, the ethical legal compliance management system documents of the organization are comprised as follows:



14 Note

- All documents relating to the ethical legal compliance management system are organized here. As can be seen from this exhibit, the ECS2000 control document constitutes the key document in the system.
- In cases where the organization already has and maintains a document control system, ethical legal compliance management system documents can be included in this or, if necessary, a separate and specialized system can be established. Each organization should develop a system which best suits its own needs.
- Although developing a document control system can be somewhat tedious in the beginning, it is necessary to establish an effective system from the earliest stages. Establishing such a system after a considerable volume of documents has already been produced will only increase the burden placed upon the organization's administrative resources.

ECS2000 Control Document <i>Example</i>		Page #:	15	
		Document #:	ECS-4450	
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.5	Document control	Version:	01

4.4.5 Document control

In order to ensure the smooth and effective functioning of the ethical legal compliance management system, and to ensure accountability with reference to external parties, the organization will manage its documents according to the following system.

1. **Management of original texts:** storage of original main documents will be managed by the legal department. The respective departments will manage the storage of related and other documents.
2. **Document management record:** departments managing the storage of original documents will make a record for each new document and note it in a document management record. The development, modification, and recall of all documents will also be noted in this record.
3. **Management of discontinued documents:** copies of all discontinued documents will be destroyed. The original will be marked as "void" and stored in a special file reserved for that purpose.
4. **Classification of documents:** in order to help each department use documents in an appropriate way all documents will be classified as follows:
 - a. **Control documents:** these documents must be marked and signed by the officer for document control. Whenever revised, control documents should be replaced by the latest version.
 - b. **Non-control documents:** documents of a reference or informative nature. Non-control documents should not be replaced by the latest version.
5. **Management of copies:** copies of documents will not be subject to document control.

15 Note

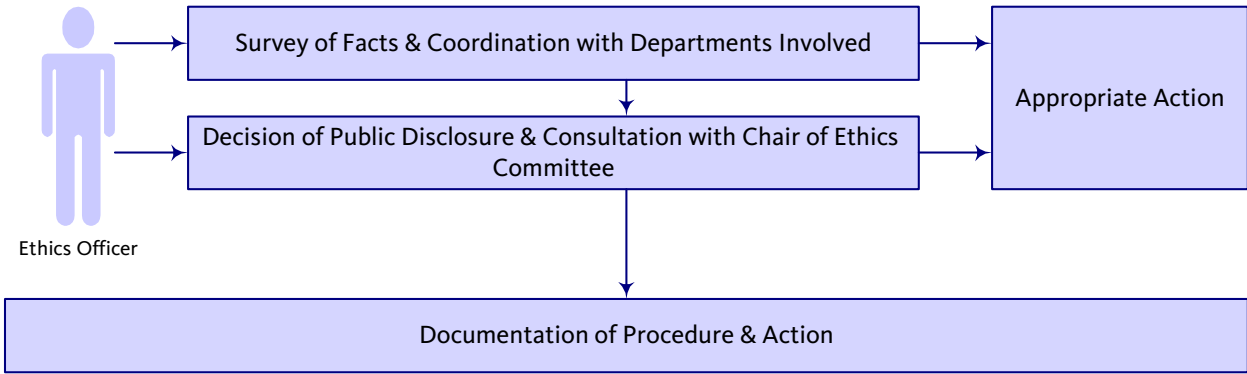
- The document control system illustrated here is a particularly comprehensive example.
- Further details regarding the document management record can be found in section G.4.4.5.
- In smaller organizations a comprehensive system of document control can constitute a considerable burden. In such cases a system covering only the key documents may be introduced and maintained.
- Simplification of the document control system, however, should be avoided in cases where doing so exposes the organization to increased ethical or legal risk. This simplification is also not advisable in organizations or industries where it is not legally permitted.
- Document control systems should be developed with the objective of controlling ethical and legal risk, improving ethical legal compliance achievement, and reducing the administrative burden.

ECS2000 Control Document Example		Page #:	16	
		Document #:	ECS-4460	
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.6	Operational control	Version:	01

4.4.6 Operational control

1. Response to reports and consultations

The ethics officer will be responsible for giving appropriate advice upon receiving reports or consultation from personnel. The ethics officer should also take the following action as illustrated below upon receiving a report regarding behavior which is in violation of the code of ethics or compliance manuals.



2. Response towards retaliatory activity

Model Corporation prohibits any form of retaliation being made against individuals or departments which have lodged a report or made a consultation. However, in the event of such reprisal, the ethics officer should initiate an investigation to determine the individuals responsible for such action and, upon consultation with the head of human resources, take appropriate action. Confidentiality should be maintained so as to prevent any further injury.

3. Review of implementation plan progress

The ethics officer should receive a report from all departments every six months regarding progress towards achieving the objectives set out in the ethical legal compliance implementation plan. Where these reports reveal problems, a report should be made to the department head and, when necessary, to the ethics committee. The department head, upon notification by the ethics officer of a problem, should take the appropriate corrective action as soon as possible and where necessary modify the implementation plan.

The ethics officer and department heads should also prepare an annual progress report to be submitted to the ethics committee. Where necessary, after authorization by the ethics committee, the ethics office may prepare and release a summary of these reports to outside stakeholders.

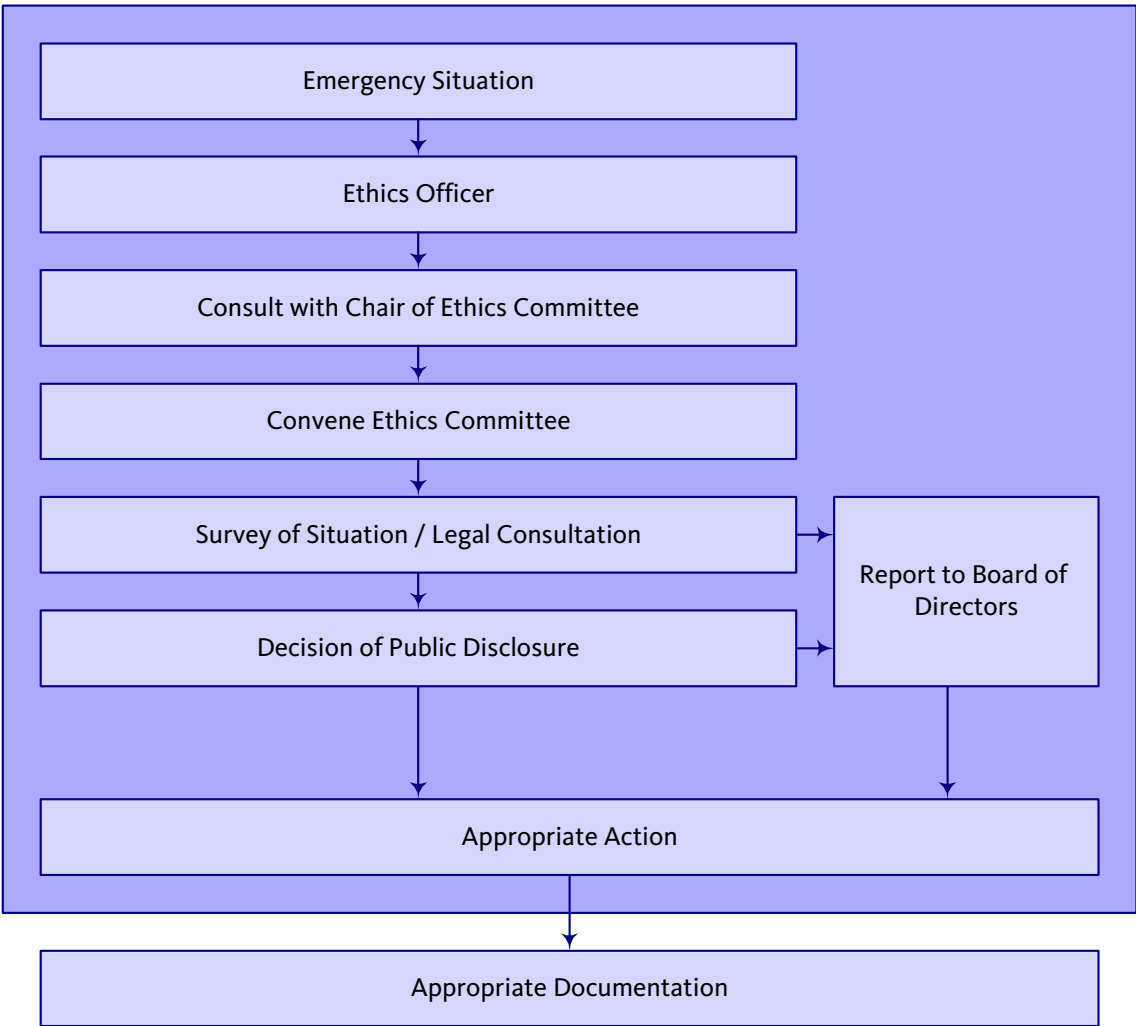
16 **Note**

- There are three requirements set out in the section on operational control. The first concerns response to communications, the second refers to response to, and corrective action for, retaliation following reporting and consultation, the third refers to reviewing progress on implementation plans and promoting achievement.
- The third requirement is covered under section 4.4.6 “*Operational control*” or under section 4.4.1.6 “*Administration of the implementation plan.*”
- It is more efficient to treat the first requirement separately from external reports and consultations.
- The third requirement, the response to retaliation is a critical factor in ensuring a successful ethical legal compliance initiative. Responses should be both prompt and effective.

ECS2000 Control Document Example			Page #:	17
			Document #:	ECS-4470
Section	4.4	Implementation & operation	Date:	Year/Month/Day
	4.4.7	Emergency preparedness & response	Version:	01

4.4.7 Emergency preparedness and response

1. In the event that the ethics officer should receive information proving that the executive management of Model Corporation are or have been involved in activity of an illegal or unethical nature, they should, in accordance with the procedure illustrated below, inform the ethics committee chair and request that the ethics committee be convened and the facts of the case examined.



Footnote 1: a meeting of the board of directors must be convened when the potential violator is a member of the board.
 Footnote 2: where the potential violator is the chair of the ethics committee, the ethics committee may be convened and chaired by a member of the board.
 Footnote 3: where the potential violator is a member of the ethics committee they should be excluded from the meeting.

2. In the event that it is proven that a member of the executive management or the corporation as a whole has been engaged in illegal or unethical behavior, the company should report this fact to the appropriate authorities, cooperate fully in all investigations, and make all possible efforts to remedy the situation.

17 **Note**

- Involvement of executive management in illegal or unethical activity is seen here, in accordance with the ECS2000, as constituting an emergency situation. Other illegal, unethical activities or critical events occurring within individual departments and within the organization could also be treated as emergency situations and dealt with in a systematic manner.
- The management system itself must be fully reviewed in the advent of such an emergency. This requirement is dealt with in section 4.7 *“Drastic system reform following emergency situations.”*
- The objective of the ECS2000 is to promote ongoing improvement of the ethical legal compliance management system so as to prevent the occurrence of such situations. It is possible to believe, therefore, that these procedures for dealing with an emergency situation may never need to be enacted.
- However, even though they may never be needed, the fact that executive management has established a set of procedures to be used in such an event is itself a clear indication to the whole organization of the commitment of executive management to a genuine system of ethical legal compliance.

ECS2000 Control Document Example		Page #:	18	
		Document #:	ECS-4500, 4510	
Section	4.5	Monitoring & corrective action	Date:	Year/Month/Day
	4.5.1	Monitoring & evaluation	Version:	01

4.5.1 Monitoring and evaluation

1. Self evaluation of personnel

All personnel are required to annually evaluate their own behavior against the standards set out in the ethics policy, code of ethics, and compliance manuals.

Self evaluation checklist *example*:

1. During the course of the past year, have you read the *ethics policy* and *code of ethics*?
2. Can you say with certainty that there have been no compliance violations in your workplace?
3. Have you spoken out against any compliance violations that may have been evident in your workplace?
4. Are you thoroughly familiar with the laws and regulations applicable to your work?
5. Have you violated the “*ethics policy*” or “*code of ethics*” in order to improve your work performance?
6. Have you given due consideration to the prevention of sexual harassment?
7. Have you been party to misappropriate use of corporate resources?
8. Have you participated in community service or volunteer activity?

2. Self evaluation of department head

All department heads are expected to perform an annual self-evaluation of their own actions and the ethical legal compliance level of their own department. The results of this self evaluation should be submitted to the ethics office.

3. Measurement of ethical legal compliance performance

The ethics office should conduct an opinion survey of all personnel once every three years regarding the corporation’s ethical legal compliance performance and submit the results of this survey to the ethics committee.

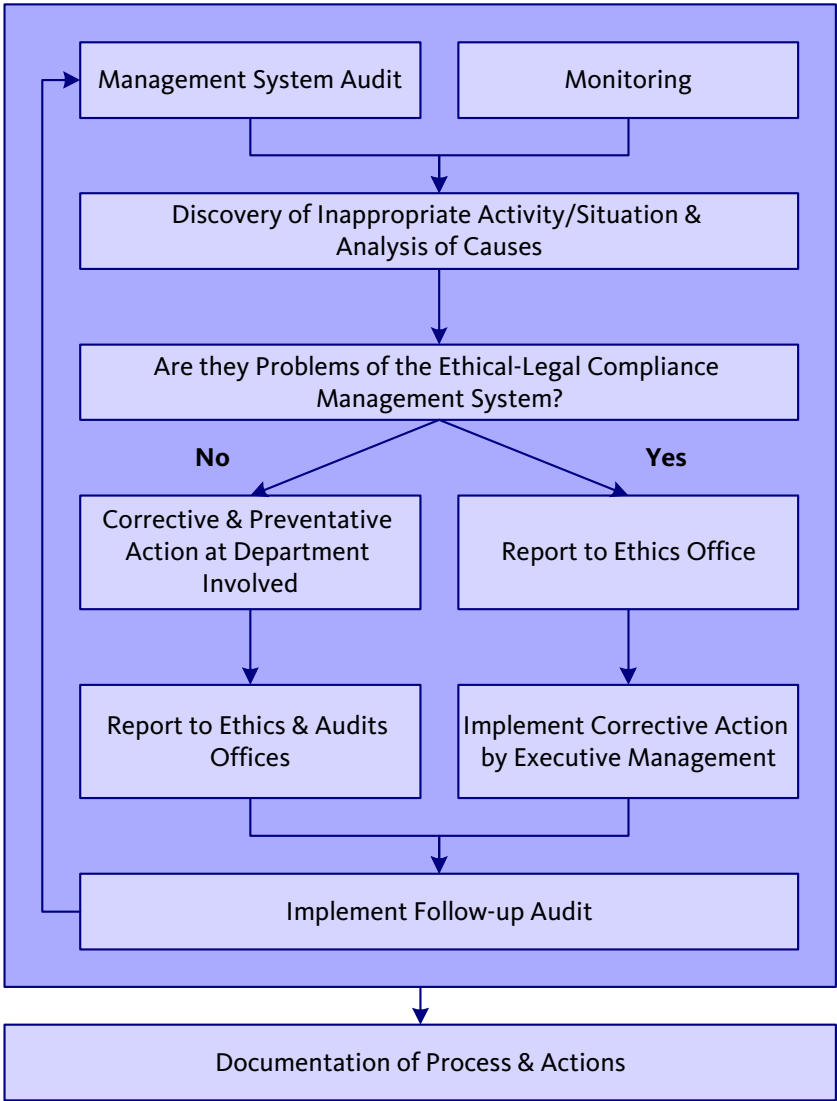
18 **Note**

- Self evaluation by all members of the organization requires that they compare their actions with the ethics policy and code of ethics. Producing a self evaluation checklist will make this process easier to perform.
- In the early stages of introducing an ethical-legal compliance management system a company wide check list such as the one shown here is appropriate, but it is strongly recommended that checklists for specific departments be developed and used at the latter stages of the introduction process.
- Although this illustration gives a monitoring based example, any other system thought appropriate may be used.
- Another method of self evaluation can be administered at times when the risk of compliance violations is considered to be particularly high, when new laws and regulations have been enacted, when reorganizations have been implemented or when reports have been received. In these instances the department head may produce a checklist based on guidance or notification received from the ethics office.
- Written and interview based opinion surveys are administered in order to ascertain the state of the organizations ethical-legal compliance initiative. The frequency of administration can be determined by the particular organization, but a survey once every three to five years is advisable.

ECS2000 Control Document Example			Page #:	19
			Document #:	ECS-4520
Section	4.5	Monitoring & corrective action	Date:	Year/Month/Day
	4.5.2	Correction & preventative action	Version:	01

4.5.2 Correction and preventative action

In cases where monitoring and ethical-legal compliance management system audits reveal that an inappropriate activity or situation exists, the following procedure should be implemented in order to correct it and prevent its future occurrence.



1. Determine the cause of the inappropriate activity or situation

Where problems occur repeatedly in the same department or section the causes of these problems should be ascertained. Where the cause of the problem is believed to be in the management system itself, this should be reported to the ethics office.

2. Determine and implement the necessary corrective action

Where the cause of a specific problem in a department can be determined and where the cause of the problem can successfully be addressed at that level, corrective action should be taken there. The problem and the corrective actions to resolve it and prevent its future occurrence should then be reported to the ethics office.

3. Implementation of follow-up audit

A follow-up audit may be administered in order to determine whether or not the corrective and preventative action taken has been effective.

4. Records should be made of the corrective and preventative action taken and any changes involved as a result of this.

19 **Note**

- In cases where an inappropriate activity or situation is revealed by monitoring or by an ethical-legal compliance management system audit, attempts should first be made to resolve it using the existing management system.
- A record of the actions taken from discovery up until resolution of the problem is important because it can be used to reveal any problems which may exist in the management system itself.
- Although the corrective actions taken by individual departments should be respected, these actions must be considered to be inadequate where problems occur repeatedly. In these instances corrective actions which include the management system itself should be undertaken.

ECS2000 Control Document <i>Example</i>		Page #:	20	
		Document #:	ECS-4530	
Section	4.5	Monitoring & corrective action	Date:	Year/Month/Day
	4.5.3	Records	Version:	01

4.5.3 Records

1. Preservation of records

In accordance with the control document, such records as required in the various sections should be made and stored in order to determine whether or not the ethical-legal compliance management system is operating correctly.

2. Recording

In order to clarify the actions to which records are related, all records produced must be clearly marked with the following information:

- c. title
- d. date of creation
- e. name and function of recorder

3. Storage

Records should be stored in filing systems dedicated to that purpose.

20 Note

- The example above gives a basic list of activities necessary for creating and maintaining an effective system of records. An additional list indicating the individual (manager) in charge, location and period of storage can be very helpful.
- Records are an important resource for explaining the nature of an organizations ethical-legal compliance management initiative. They should, however, be kept as simple as possible.
- Organizations which are administering a document control system based solely upon the main documents should also consider maintaining records concerning important issues such as education and training, corrective actions, and audit results.

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		Document #:	ECS-4540	
Section	4.5	Monitoring & corrective action	Date:	Year/Month/Day
	4.5.4	Ethics compliance management system auditing	Version:	01

4.5.4 Ethics compliance management system auditing

1. Regular internal audit

In order to examine the following points the head of the audits office should implement an annual audit of the ethical-legal compliance management system.

- a. To determine whether or not the ethical-legal compliance management system is operating in accordance with the requirements of the ECS2000 and in accordance with the other predetermined requirements.
- b. To determine whether or not the ethical-legal compliance management system is functioning in accordance with the ethics policy, code of ethics, compliance manuals and implementation plans.

2. Report of audit results

At the conclusion of the audit the auditor should present the findings of the final report including an explanation of all irregularities discovered to a meeting which should be attended by the head of the audited department.

3. Audit report and corrective action

Within a set period after having completed the audit the auditor must prepare a report covering all directives for the correction of improprieties and submit this report to the CEO, ethics committee chair, the audited department, and the ethics officer.

4. Follow-up audit

- a. Upon being issued with a directive for correction the head of the audited department must make every effort to correct the problems as identified.
- b. After completion of actions to correct problems as indicated in the directive for correction, the head of the audited department should submit a report to that effect to the head of the auditing office.
- c. After receipt of the report the head of the auditing office should promptly administer a follow-up audit of the department in question. If the follow-up audit has been completed before the submission of the audit report to the CEO, the results of the follow-up should be included in the final report.

21 Note

- In cases where the organization does not contain a specialized department or office to perform the ethical-legal compliance management system audit, executive management should appoint an auditor for the purpose and assign several employees to serve as auditor staff for the duration of the audit.
- In some cases an organization will introduce the ECS2000 in individual divisions. In these instances divisions may perform audits on each other.
- Although the control document delegates the implementation of audits to an internal audit office, the audit can be performed by a reliable third party where the services of such an organization can be secured.
- Regardless of the procedure used to implement the audit, the results must be reported to the CEO, the audited department, and the offices concerned with ethical-legal compliance management.

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		Document #:	ECS-4600
Section	4.6 Management review	Date:	Year/Month/Day
		Version:	01

4.6 Management review

1. Regular review

Each year the chair of the ethics committee should convene the ethics committee and conduct a review of the ECS2000 Control Document upon the basis of information gained from the ethical-legal compliance management audit report, the ethical-legal compliance implementation plan report, the record of reports and consultations and other information that was received directly by the ethics office. For the purposes of ensuring ongoing improvement, the committee may prepare revised versions of the ethics policy, code of ethics, internal regulations, education and training policy and programs, and the reporting and consultation procedure and submit them for review and approval by the board.

2. Drastic system reform following emergency situations

Refer to section 4.7 for details.

3. Inclusion in the implementation plan

Where executive management authorize an amendment be made, this must be included into the implementation plan for the following year.

22 Note

- A key characteristic of the ECS2000 is that it is subject to a process of regular reviews and on-going modification for improvement.
- Where executive management authorize an amendment it is important to include this in the following year’s implementation plan and to conduct a follow-up audit.
- It is important to note that if this point is ignored, the PDCA cycle will cease to function and there will be no ongoing improvement effect for the ethical-legal compliance management system.

ECS2000 Control Document Example		Page #:	23
		Document #:	ECS-4700
Section	4.7 Drastic system reform following emergency situations	Date:	Year/Month/Day
		Version:	01

4.7 Drastic system reform following emergency situations

1. Once the emergency situation has been resolved it is time to address the issue of a drastic reform of the management system. The assistance of external consultants should be sought in this endeavor.
2. The drastic reform procedure is initiated when the CEO (in some cases this will be a newly appointed CEO) convenes a special session of the ethics committee, the causes of the emergency situation are analyzed, actions taken to resolve it are presented in a report, and the findings of the report are received and approved by the board of directors.
3. After drastic reform has been approved, a concrete course of action should be included in the implementation plan for the following year, and in order to ensure that the reform is carried out according to plan, a follow-up audit should also be implemented.

23 Note

- An organization may presume that the procedures for dealing with an emergency situation (including those of section 4.4.7 on “*Emergency preparedness and response*”) may never actually be used in practice.
- However, even if these procedures are never actually initiated, the fact that the organization prepares for such an eventuality and has the means at its disposal to initiate a “self cleansing” mechanism is of great significance.
- It is difficult to prepare such a mechanism at a time when the organization is performing without any evident problems or current emergencies. The preparation of these procedures should be thought of as an exercise in giving expression to the organizations fundamental position on ethical-legal compliance both internally and externally.

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		Document #:	ECS-5000
Section	5. Addenda	Date:	Year/Month/Day
		Version:	01

5 Addenda

(1) Control Document - Distribution List

Document Number	Department	Responsible individual
001	Board	Secretary of the Board
002	Ethics Office	Head of Ethics Office
003	HR/HRD	Head of HRM
004	Legal	Head of Legal Department
005	Auditing	Head of Auditing Department
006		

(2) Control Document – History of Amendment and Modification Actions

Type of action	Date of action	Responsible department	Sections changed	Reason for modification	Approval of modification
Production		Ethics Office			

24 Note

- It is important to clearly mark the recipient departments in order to facilitate management of the latest versions of the ECS2000 Control Document.
- The term ECS2000 Control Document has been used here, but the organization may apply any name to this document it may deem appropriate.
- For instance, “ECS2000 implementation manual,” “Corporate ethics management manual,” “Compliance management document,” or “Corporation XYZ ethical-legal compliance management document” may be used.