

Code of Professional Ethics *for*

COMPLIANCE AND ETHICS PROFESSIONALS



**SOCIETY OF CORPORATE
COMPLIANCE AND ETHICS**



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Code of Ethics

for COMPLIANCE AND ETHICS PROFESSIONALS

PREAMBLE

Compliance and ethics programs serve a critical role in helping to prevent and detect misconduct at and by organizations and to promote ethical business environments. The development and rigorous implementation of effective compliance and ethics programs protects investors, consumers, the business community and the public at large. Compliance and ethics professionals (CEPs) understand that the services we provide require the highest standards of professionalism, integrity and competence. The following Code of Ethics expresses the profession's recognition of its responsibilities to the general public, to employers and clients, and to the profession. The Code of Ethics has been adopted by the membership of the Society of Corporate Compliance and Ethics to provide guidance and rules to all CEPs in the performance of their professional responsibilities.

The Code of Ethics consists of two kinds of standards: Principles and Rules of Conduct. The Principles are broad standards that provide a framework for the more detailed Rules of Conduct. The Rules of Conduct are specific standards that prescribe the minimum level of professional conduct expected of CEPs. Compliance with the Code is expected both of the individual professional and of the professional community. It depends primarily on the CEP's own understanding and voluntary actions, and secondarily on

reinforcement by peers and the general public.

Commentary is provided for some Rules of Conduct, which is intended to clarify or elaborate on the meaning and application of the Rule. The following conventions are used throughout the Code:

- “Employing organization” includes the employing organization and clients;
- “Law” or “laws” includes all national, state, provincial and local laws and regulations, court orders and consent agreements;
- “Misconduct” includes both illegal acts and unethical conduct; and
- “Highest governing body” of the employing organization refers to the highest policy and decision-making authority in an organization, such as the board of directors or trustees of an organization.

PRINCIPLE I

Obligations to the Public

Compliance and ethics professionals (CEPs) should abide by and promote compliance with the spirit and the letter of the law governing their employing organization’s conduct and exemplify the highest ethical standards in their professional conduct in order to contribute to the public good.

R1.1 CEPs shall not aid, abet or participate in misconduct.

R1.2 CEPs shall take such steps as are necessary to prevent misconduct by their employing organizations.

Commentary: The CEP's actions to prevent misconduct must, of course, be legal and ethical. Where a CEP has done what he or she can to prevent misconduct within the bounds of the law and business ethics, but is nonetheless unsuccessful in preventing misconduct, he or she should refer to Rule 1.4.

R1.3 CEPs shall exercise sound judgment in responding to or cooperating with all official and legitimate government investigations of or inquiries concerning their employing organization.

Commentary: While the role of the CEP in a government investigation may vary, the CEP shall never obstruct or lie in an investigation.

R1.4 If, in the course of their work, CEPs become aware of any decision by their employing organization which, if implemented, would constitute misconduct, the professional shall: (a) refuse to consent to the decision; (b) escalate the matter, including to the highest governing body, as appropriate; (c) if serious issues remain unresolved after exercising “a” and “b”, consider resignation; and (d) report the decision to public officials when required by law.

Commentary: The duty of a compliance and ethics professional goes beyond a duty to the employing organization,

inasmuch as his/her duty to the public and to the profession includes prevention of organizational misconduct. The CEP should exhaust all internal means available to deter his/her employing organization, its employees and agents from engaging in misconduct. The CEP should escalate matters to the highest governing body as appropriate, including whenever: a) directed to do so by that body, e.g., by a board resolution; b) escalation to management has proved ineffective; or c) the CEP believes escalation to management would be futile. CEPs should consider resignation only as a last resort, since CEPs may be the only remaining barrier to misconduct. A letter of resignation should set forth to senior management and the highest governing body of the employing organization in full detail and with complete candor all of the conditions that necessitate his/her action. In complex organizations, the highest governing body may be the highest governing body of a parent corporation.

PRINCIPLE II

Obligations to the Employing Organization

Compliance and ethics professionals (CEPs) should serve their employing organizations with the highest sense of integrity, exercise unprejudiced and unbiased judgment on their behalf, and promote effective compliance and ethics programs.

R2.1 CEPs shall serve their employing organizations in a timely, competent and professional manner.

Commentary: *CEPs are not expected to be experts in every field of knowledge that may contribute to an effective compliance and ethics program. CEPs venturing into areas that require additional expertise shall obtain that expertise by additional education, training or through working with others with such expertise. CEPs shall have current and general knowledge of all relevant fields of knowledge that reasonably might be expected of a compliance and ethics professional, and shall take steps to ensure that they remain current by pursuing opportunities for continuing education and professional development.*

R2.2 CEPs shall ensure to the best of their abilities that employing organizations comply with all relevant laws.

Commentary: *While CEPs should exercise a leadership role in compliance assurance, all employees have the responsibility to ensure compliance.*

R2.3 CEPs shall investigate with appropriate due diligence all issues, information, reports and/or conduct that relates to actual or suspected misconduct, whether past, current or prospective.

Commentary: *In organizations where other professionals (such as the Legal Department) are responsible for investigation of suspected misconduct, CEPs satisfy this Rule by reporting suspected misconduct to such professionals in accordance with established reporting procedures.*

R2.4 CEPs shall keep senior management and the highest governing body informed of the status of the compliance

and ethics program, both as to the implementation of the program and about areas of compliance risk.

Commentary: *The CEP's ethical duty under this rule complements the duty of senior management and the highest governing body to assure themselves "that information and reporting systems exist in the organization that are reasonably designed to provide to senior management and to the board itself timely, accurate information sufficient to allow management and the board, each within its scope, to reach informed judgments concerning both the corporation's compliance with law and its business performance." In re Ca-remark International Inc., Derivative Litigation, 1996 WL 549894, at 8 (Del. Ch. Sept. 25, 1996)*

R2.5 CEPs shall not aid or abet retaliation against any employee who reports actual, potential or suspected misconduct, and shall strive to implement procedures that ensure the protection from retaliation of any employee who reports actual, potential or suspected misconduct.

Commentary: *CEPs should preserve to the best of their ability, consistent with other duties imposed on them by this Code of Ethics, the anonymity of reporting employees, if such employees request anonymity. Further, they shall conduct the investigation of any actual, potential or suspected misconduct with utmost discretion, being careful to protect the reputations and identities of those being investigated.*

R2.6 CEPs shall carefully guard against disclosure of confidential information obtained in the course of their profession-

al activities, recognizing that under certain circumstances confidentiality must yield to other values or concerns, e.g., to stop an act which creates appreciable risk to health and safety, or to reveal a confidence when necessary to comply with a subpoena or other legal process.

Commentary: *It is not necessary to reveal confidential information to comply with a subpoena or legal process if the communications are protected by a legally recognized privilege (e.g., attorney client privilege).*

R2.7 CEPs shall take care to avoid any actual, potential or perceived conflicts between the interests of the employing organization and either the CEP's own interests or the interests of individuals or organizations outside the employing organization with whom the CEP has a relationship. CEPs must disclose and ethically handle conflicts of interest and must remove significant conflicts whenever possible. Conflicts of interest may create divided loyalties. CEPs shall not permit loyalty to individuals in the employing organization with whom they have developed a professional or a personal relationship to interfere with or supersede the duty of loyalty to the employing organization and/or the superior responsibility of upholding the law, ethical business conduct and this Code of Ethics.

Commentary: *If CEPs have any business association, direct or indirect financial interest, or other interest that could influence their judgment in connection with their performance as a professional, the CEPs shall fully disclose to their employing organizations the nature of the business association,*

financial interest, or other interest. If a report, investigation or inquiry into misconduct relates directly or indirectly to activity in which the CEP was involved in any manner, the CEP must disclose in writing the precise nature of that involvement to the senior management of the employing organization before responding to a report or beginning an investigation or inquiry into such matter, and must recuse him or herself from such investigation or inquiry, if appropriate. Despite this requirement, such involvement in a matter subject to a report, investigation or inquiry will not necessarily prejudice the CEP's ability to fulfill his/her responsibilities in that regard.

R2.8 CEPs shall not mislead employing organizations about the results that can be achieved through the use of their services.

Commentary: CEPs should not create unreasonable expectations with respect to the impact or results of their services.

PRINCIPLE III

Obligations to the Profession

Compliance and ethics professionals (CEPs) should strive, through their actions, to uphold the integrity and dignity of the profession, to advance the effectiveness of compliance and ethics programs and to promote professionalism in compliance and ethics.

- R3.1** CEPs shall pursue their professional activities, including investigations of misconduct, with honesty, fairness and diligence.

***Commentary:** CEPs shall not agree to unreasonable limits that would interfere with their professional ethical and legal responsibilities. Reasonable limits include those that are imposed by the employing organization's resources. If management of the employing organization requests an investigation but limits access to relevant information, CEPs shall decline the assignment and provide an explanation to the highest governing authority of the employing organization. CEPs should diligently strive to promote the most effective means to achieve compliance.*

- R3.2** Consistent with Rule 2.6, CEPs shall not disclose without consent or compulsory legal process confidential information about the business affairs or technical processes of any present or former employing organization. Such disclosure could erode trust in the profession or impair the ability of compliance and ethics professionals to obtain such information from others in the future.

***Commentary:** CEPs need free access to information to function effectively and need the ability to communicate openly with any employee or agent of an employing organization. Open communication depends upon trust. Misuse and abuse of the work product of compliance and ethics professionals poses a serious threat to compliance and ethics programs. CEPs shall not use confidential information in any way that violates the law or their legal duties, including duties to their*

employing organizations. When adversaries in litigation use an organization's own self-policing work against it, the credibility of CEPs may be undermined. CEPs are encouraged to work with legal counsel to protect confidentiality and to minimize litigation risks. It is not necessary to reveal confidential information to comply with compulsory legal process if the confidential information is protected by a legally recognized privilege (e.g., attorney client privilege).

R3.3 CEPs shall not make misleading, deceptive or false statements or claims about their professional qualifications, experience or performance.

R3.4 CEPs shall not attempt to falsely damage the professional reputation of other compliance and ethics professionals.

Commentary: *In order to promote collegiality and civility in the profession, CEPs shall not make any statements concerning other CEPs that are defamatory in nature.*

R3.5 CEPs shall maintain their competence with respect to developments within the profession, including knowledge of and familiarity with current theories, industry practices, and laws.

Commentary: CEPs shall pursue a reasonable and appropriate course of continuing education, including but not limited to review of relevant professional and industry journals and publications, communication with professional colleagues and participation in open professional dialogues and exchanges through attendance at conferences and membership in professional associations.

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SCCE's MISSION

SCCE exists to champion ethical practice and compliance standards in all organizations and to provide the necessary resources for compliance professionals and others who share these principles.



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