

*SCCE's 7<sup>th</sup> Annual*  
**Compliance & Ethics Institute**

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## Code of Ethics

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### DRAFTING COMMITTEE

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<http://www.corporatecompliance.org/resources/documents/SCCECodeOfEthics.pdf>



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## DRAFTING PROCESS

- First draft by drafting committee
- Review by SCCE's Board
- Review by all SCCE members
- Incorporated members' comments
- Adopted by Board of Directors



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## How a Code Helps

- Professionalization
- Help answer difficult questions
- Strengthen our position
- Legal status



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## The Framework

- Three Principles: broad standards - obligations to the public, the employing organization & the profession
- Rules of Conduct: minimum level of professional conduct for CEPs
- Commentary: clarifies/elaborates on the Rules
- Enforcement: primarily - CEP's own understanding/voluntary actions  
secondarily - peers & general public.

“The . . . Code of Ethics expresses the profession's recognition of its responsibilities to the general public, to employers and clients, and to the profession.”



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## 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.



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## R 1.2

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

**“Misconduct” includes  
both illegal acts and  
unethical conduct**

## R 1.2

- *Commentary: any actions by the CEP must be “legal and ethical.”*
- *If unsuccessful, then refer to Rule 1.4*



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## How Does this Differ from Lawyers' Ethics?

- Lawyers – professional advice
- CEPs – action to prevent misconduct
- Lawyers – legal matters
- CEPs – law and ethics
- Lawyers – zealous advocates
- CEPs – prevent & detect misconduct

See Building a Career in Compliance and Ethics 1, 60-61  
(SCCE; 2007)



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## R 1.4

- 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:



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## R 1.4

- (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.



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## R 1.4

*Commentary: 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.*



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## R 1.4

- Commentary: . . . CEPs should consider resignation only as a last resort . . . 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. . . .*



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## 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.



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### R 2.1

- CEPs shall serve their employing organizations in a timely, competent and professional manner.
- *Commentary: . . . CEPs venturing into areas that require additional expertise shall obtain that expertise by additional education, training or through working with others with such expertise.*

. . .



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## R 2.2

- 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.*



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## R 2.4

- CEPs shall keep senior management and the highest governing body informed of the status of the compliance program, both as to the implementation of the program, and about areas of compliance risk.
- Tied to Directors' duty under Caremark



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## R 2.6

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



## R 2.7

- 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.



## R 2.7

- CEPs shall not permit loyalty to individuals in the employing organization . . . 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.



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21

## 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.



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## R 3.1

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



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## R 3.1

- *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.*



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## R 3.1

- *Commentary: 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.*



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## R 3.2

- 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 that would erode trust in the profession or impair the ability of compliance and ethics professionals to obtain such information from others in the future.



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## R 3.2

- *Commentary: Misuse and abuse of the work product of compliance and ethics professionals poses a serious threat to compliance and ethics programs.*



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## R 3.5

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



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## R 3.5

- *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.*

