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Corporate Code of Conduct • The Third Edition

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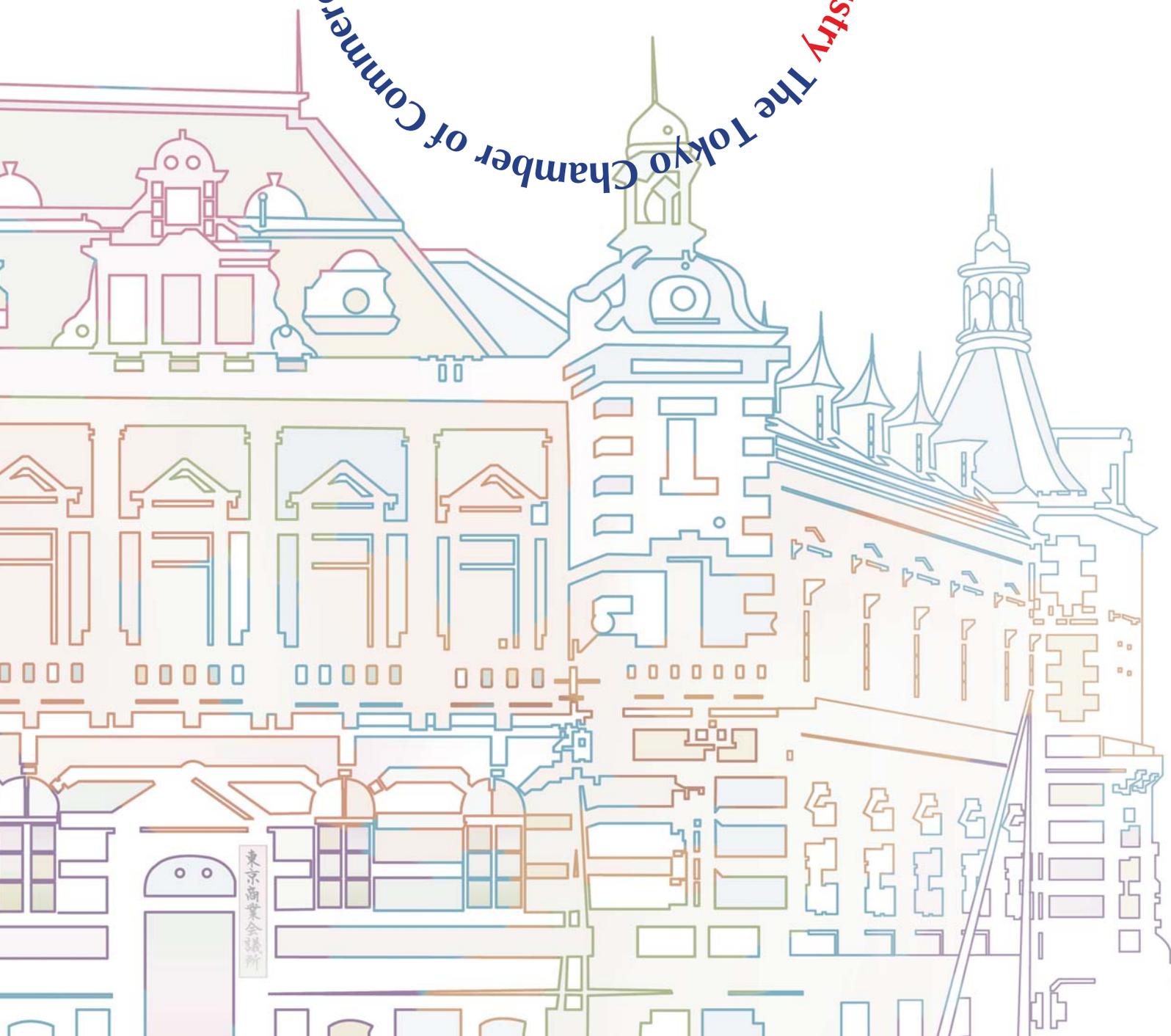
Note : This cover illustration uses the old Tokyo Chamber of Commerce Building
(utilized from 1899 to 1958) as a motif.



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Corporate Code of Conduct

The Third Edition



東京商業会議所



Image source : The Shibusawa Memorial Museum

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This Corporate Code of Conduct was created by the Tokyo Chamber of Commerce and Industry to guide member companies on shaping corporate behavior.

About This Revision

Viscount Eiichi Shibusawa, known as the creator of Japanese capitalism and the founder of the Tokyo Chamber of Commerce and Industry (TCCI), put forward the management philosophy of “harmonization of morality and economy” (meaning that morality can be essentially united with production and profit-making). His philosophy should be emulated by TCCI member companies in their principles of corporate behavior. Since free market activities call for legal compliance and ethical behavior, the management philosophy proposed by Viscount Shibusawa is believed to be a common and immutable philosophy of corporate behavior.

Today, with rapid globalization and various social issues becoming increasingly serious, individuals and organizations should strive to bring about “the sustainable development of society” and “social responsibility.” Companies, in particular, are required to make an active contribution towards the sustainable development of society owing to their significant influence on society and the environment, and their duty towards society to create income and employment. It is essential for a company to undertake business activities based on social responsibility.

The ISO26000* was issued in November 2010 and JIS-Z26000 in March 2012. As an international organization, TCCI made use of this occasion to review its corporate code of conduct in accordance with the core subjects of social responsibility stated in ISO26000 and JIS-Z26000. The manual was revised in the hope that member companies would develop a deeper understanding of corporate social responsibility (CSR) and put it into practice.

March 2013

*Please refer to page 11 with regard to ISO26000.

Corporate Code of Conduct

A company is expected to respect human rights, and to comply with laws, regulations, and international rules. Furthermore, it is required to achieve sustainable social development through business by following a strong code of ethics. Such a corporate code of conduct defines what member companies should comply with in order to achieve sustainable social development through business.

1. Compliance with Laws



Conduct sound business in accordance with social ethics in all situations by observing laws and regulations.

2. Respect for Human Rights



Respect human rights and eliminate discrimination based on race, ethnicity, religion, nation, social status, sex, age, or disability.

3. Environmental Consideration



Conduct business conducive to a low-carbon society and a resource-circulating society, and contribute to building a sustainable society in which there is harmony between the economy and the environment. At the same time, take into account biodiversity conservation.

4. Work Environment



Treat employees in a fair manner and respect their diversity, character, and personality. In addition, ensure a safe and comfortable work environment that enables employees to work at their best.

5. Earning the Trust of Customers and Consumers



In addition to offering goods and services that fit the needs of consumers and customers, and providing correct information about them, protect and manage customer information in an appropriate manner. Moreover, earn the trust of customers and consumers by listening to and dealing with their problems.

6. Mutual Growth with Partner Companies



Build business relationships based on fair rules and establish trust with partner companies through seamless communication.

7. Coexistence with Local Communities



Aim at coexisting with a local community, taking part in its activities that contribute towards positive growth and a comfortable, safe, and secure life for the community.

8. Understanding and Support from Investors and Funders



Attain understanding and support from investors and funders by conducting fair and transparent corporate management practices.

9. Sound Relationships with Political Bodies and Government Agencies



Maintain sound and transparent relationships with the government and political bodies, and break off any collusive relationships with them.

10. Standing against Antisocial Forces



Take a resolute stand against and reject any connection with antisocial forces and organizations that threaten social order or safety.

Interpretation

1. Compliance with Laws

- In conducting business activities, legal compliance is the overriding premise and minimum obligation for a company. First, it is necessary to note that once a company violates laws or regulations, it will not be accepted socially. All business activities must be conducted in compliance with the law.
- Applicable laws and regulations vary depending on the categories and description of businesses. It is necessary to check and review the revision and abolition of laws applicable to a company.
- A company is expected to designate responsible people to ensure compliance with laws, as well as to devise internal regulations or educational manuals, if necessary, and to promote them throughout the company.
- Respecting and adhering to social rules and business practices in accordance with laws and regulations is essential. However, it is a precondition that such rules and practices be fair. Even if they have been in effect from time immemorial, they need to be continuously verified in order to determine whether they are still fair and adhere to current regulations and laws.

2. Respect for Human Rights

- Human rights are fundamental, universal, and indivisible rights inherent to everyone. A company is expected to respect the rights of internal and external stakeholders and take action against the direct and indirect violation of human rights. A company needs to establish a corporate culture that eliminates discrimination based on race, ethnicity, religion, nationality, social status, sex, age, or disability. In addition, it is required to create an internal audit system to prohibit child labor, labor under unreasonable working conditions (e.g., forced labor), and harassment.
- Nowadays, sexual harassment and power harassment are prevalent in many companies. In the eyes of the victims, harassment amounts to a total disrespect for their personality and human rights. Companies must recognize this fact and eliminate harassment.
- In developing countries, human rights can be unconsciously abused, owing to the lack of a proper legal infrastructure. Companies with overseas affiliates and suppliers, in particular, need to pay careful attention to the infringement of human rights in their own companies, relevant organizations, partner companies, and suppliers.
- The whistle-blowing system is considered to be effective in the early detection and solving of illegal acts and human rights violations, such as sexual and power harassment.

3. Environmental Consideration

- Conducting business activities with a total lack of consideration for the environment causes environmental issues such as air pollution and water contamination. Accordingly, businesses need to become more eco-friendly and coexist with the environment. It is therefore important to confirm and review the environmental impact of a business to minimize its harmful impact on the environment.
- As an environmentally proactive action, a company should first reduce waste by saving resources and energy and performing the “three Rs” (Reduce/Reuse/Recycle). Complying with these basic actions can lead to a material-recycle society.
- In addition, providing environmentally friendly goods and services, working on developing and researching environmental technologies, and promoting green purchases (purchasing products and services with lower environmental burdens) are positive steps.
- Furthermore, recent serious environmental problems such as global warming and harmful chemicals management need to be positively tackled. Setting voluntary standards and goals are some examples of countermeasures that can be taken to achieve this.
- Consideration for biodiversity should also be given priority. It is important for a company to conduct ecosystem conservation and greening activities such as tree planting and river cleaning. Moreover, companies can go a long way by effectively providing support and incentives for its employees’ volunteer activities.

4. Work Environment Arrangement

- Employees, including part-timers, are important management resources. A company should regard its employees as major stakeholders and offer them sufficient work environment arrangements and fair evaluation and treatment. A company needs to consider mutual growth with its employees.
- A company should provide its employees with a safe and pleasant work environment, so that they will be able to reach their full potential through their work and feel their workplace is a place for self-realization. This will enable employees to feel a sense of solidarity and responsibility as members of the company. This will further strengthen an organization’s power and enhance business performance.
- A company also needs to actively communicate with and listen to its employees. The recent spurt in mental health problems among employees can be tackled by gauging an individual’s situation by communicating with him/her.
- Providing support systems for childcare and nursing care are also good measures towards improving work conditions.

Interpretation

5. Earning the Trust of Customers and Consumers

- A company should effectively label its goods and services in ways that satisfy customers and gain their trust. In addition, it should undertake all possible measures to assure customers about the quality of these goods and services.
- It is also important for a company to provide customers with correct information on their products in order to enable them to choose rightly. Furthermore, it is necessary to put a system in place to respond effectively to complaints and requests.
- In case of defects and problems occurring in goods and/or services, a company should give priority to customer safety and security and subsequently take appropriate measures promptly. Furthermore, to prevent a recurrence, the company should confirm all the facts about the defective goods and/or services and establish a system to give prompt feedback to the relevant departments.
- Generally, customer information collected in business activities constitutes personal data. According to the Information Protection Law, precise information management is necessary.

6. Mutual Growth with Partner Companies

- A company should respect free and fair trading rules, carry out honest trading in accordance with contracts, and build a harmonious relationship with partner companies.
- To ensure smooth trading, a company needs to be committed to providing relevant information required for trading, and develop relationships based on trust on an ongoing basis.
- Illicit trading, such as that involving collusion, price adjustment, or abuse of a superior bargaining position, must be totally eliminated.
- When a company requires the information related to its partner, it should obtain this information through proper channels and ensure that it does not infringe on confidential business information or intellectual property rights. Moreover, this information needs to be properly managed in order to prevent leakages.

7. Coexistence with Local Communities

- A company's relationship with the local community is inseparable. Establishing and maintaining a good relationship with a local community is essential. To this end, it is important to understand and respect the history, culture, and customs of the community. A company should bring about coexistence and co-prosperity by carrying out its business activities based on adequate understanding of the local community.
- A company is expected to take the initiative to contribute to the development of the local economy by participating in community activities and events, cooperating in revitalizing local industry, and conserving the landscape with the help of government agencies and economic organizations.
- It could also participate in disaster prevention activities as well as public safety and traffic safety activities.

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- Small and medium companies that are already engaged in activities such as these play an important role in these communities. To ensure the implementation of such activities, it is necessary to reflect on the activities conducted to date in order to plan a roadmap for the future.

8. Understanding and Support from Investors and Funders

- Securing funds when required is essential in conducting sound business management. For smooth fundraising, a company must establish a trustworthy relationship with borrowers, investors, and financial institutions, by providing them with an understanding of the company's business.
- A harmonious relationship requires fair and transparent management. This calls for proper accounting procedures and an accurate and credible financial and tax accounting system. Furthermore, it is vital to explain business performance in a timely and appropriate manner, and make plans on the basis of financial information, so that a company can gain the trust and support of its investors, which will in turn guarantee continuous funding.
- In addition, managers may be judged on their personal qualities by investors and borrowers. It is necessary to establish confidence in the managers as well as confidence in the company on a regular basis.
- Furthermore, managers need to be conscious of the fact that they have been entrusted with the management of the company. They also need to conduct honest management practices, with the primary aim of returning fair profits to their investors.

9. Sound Relationships with Political Bodies and Government Agencies

- A company must not indulge in dishonest acts such as bribery, illegal political contributions, donations, and patronage. It must also comply with the Political Funds Control Act and Public Offices Election Act.
- It is important to understand and cooperate with government agencies in their observance of National Public Service Ethics Act and other such Acts.
- In addition, it is necessary for a company to prevent its employees from indulging in collusion, excessive business entertainment, and unfair acts.

10. Standing against Antisocial Forces

- A company should not be afraid of, not give money to, and not enter into contracts with antisocial forces or organizations, such as corporate racketeers and organized crime groups.
- In addition, the top management of a company needs to show their determination, internally and externally, to resolutely eliminate antisocial forces and organizations. They should recognize risk management as one of their key roles and deal with such risks accordingly.

Actions of individual companies

How to create a code of conduct

Step 1

Determine a company's corporate code of conduct based on its business activities, and take stock of what the company has already done and what it should do next.

Step 2

Based on the results of step 1, determine practical activities by item, keeping in mind the consistency of management philosophy, urgency, importance, and actual status of a company (management resources, power, etc.).

Step 3

Examine the shortlisted approaches to confirm whether they are able to address serious management risks and achieve feasible targets.

Step 4

Post a summary of the approaches in easy-to-understand language in order to raise awareness among employees.

Points for practice

Point 1

Attitude of a company's top management

Management is expected to lead by example by displaying ethical behavior and conducting daily actions based on the corporate code of conduct.

Point 2

Structural improvements to prevent misconduct

Preventing corporate scandals is more important than handling them after they have occurred. Ensuring openness in a company is vital. It is necessary to ensure that both positive and negative information is passed on from the workplace to the management team.

Point 3

Ignorance of the law excuses no one

Misconduct should not be allowed even if employees are ignorant about certain laws or do not recognize that their actions violate the law. It is important to check and follow laws and regulations necessary in business and make comprehensive manuals to cover these laws.

Point 4

Accumulation of daily practices is important

Even if a company has an excellent code of conduct, it is pointless if this code is not followed. In addition, it is important to follow up on the progress of implementation and review, and improve on the code if necessary. It is also essential to set priorities and put them to practice steadily.

Reference

What is ISO26000?

ISO26000 is an international standard for social responsibility, which was officially published in November 2010. It also goes under the name "Guidance on Social Responsibility."

Multi-stakeholders (such as governments, industry, labor organizations, consumer groups, NGOs, and experts) from over 40 institutions and over 90 countries (including both developed and developing countries), participated in discussions for over six years to prepare this standard. Since ISO26000 aims to spread social responsibility across the world, it was not designed as a certification, but as a guidance standard. It is, therefore, desirable to apply some of the guidelines to organizations in accordance with their situation. In addition, ISO26000 contains seven principles and seven core subjects of social responsibility.

Seven principles

- 1. Accountability :** An organization should achieve accountability to the societies and the environments that are affected by its activities.
- 2. Transparency :** An organization should ensure the transparency of decisions and activities that may affect the environment and society.
- 3. Ethical behavior :** An organization should act ethically.
- 4. Respect for stakeholder interests :** An organization should respect its stakeholders and pay attention to them.
- 5. Respect for the rule of law :** An organization is obligated to embrace and abide by the rule of law.
- 6. Respect international norms of behavior :** An organization should respect international norms of behavior, while adhering to the rule of law.
- 7. Respect for human rights :** An organization should respect human rights and recognize both their importance and universality.

Seven core subjects

- 1. Organizational governance :** This is the foundation of the other six core subjects. An organization is expected to have an effectual decision making system.
- 2. Human rights :** Employment without discrimination, human rights education, employment of persons with disabilities, etc.
- 3. Labor practices :** Improvement of work environment, human development, work-life balance, promotions, etc.
- 4. The environment :** Energy and resource conservation, CO₂ reduction, biodiversity conservation activities, etc.
- 5. Fair operating practices :** Imparting education on applicable laws and regulations such as antitrust laws, establishment of a whistle-blowing system, etc.
- 6. Consumer Issues :** Positive disclosure of information related to goods and services, enhancing communication with consumers, manufacturing eco-friendly products, etc.
- 7. Community involvement and development :** Volunteering, educational activities targeting the community, etc.

Particularly Noteworthy Legislation in Japan

The Company Law, the Financial Instruments and Exchange Act, the Antimonopoly Law, the Subcontract Act, the Foreign Exchange Order and the Export Trade Control Order, the Unfair Competition Prevention Act, the Basic Environment Law, the Air Pollution Prevention Law, the Water Pollution Prevention Law, the Waste Disposal Law, the labor Standards Law,

the Equal Employment Opportunity Law for Men and Women, the Industrial Safety and Health Law, the Worker Dispatching Law, the Whistleblower Protection Act, the Personal Data Protection Law, the Basic Law on Intellectual Property, the Consumer Products Safety Law, the Act against Unjustifiable Premiums and Misleading Representations, and the Product Liability Law