

ISO GUIDE 72 JUSTIFICATION STUDY FOR THE ANSI ISO/TS/P ON BUSINESS CONDUCT MANAGEMENT SYSTEM STANDARDS

A BASIC INFORMATION OF THE MSS PROPOSAL

A.1 What is the proposed purpose and scope of the MSS?

ANSI, as requested by its members and the Ethics Officer Association (the “EOA”), an organizational member of ANSI, is proposing the development of a global business conduct management system standard (“MSS”) through the International Organization for Standardization (“ISO”) process. Such a management system standard would be similar to and consistent with ISO 9000 quality and ISO 14000 environmental management system standards. It would standardize the management of organizational ethics, compliance, and business conduct programs.

Purpose:

The purpose of the proposed MSS is to create a single set of voluntary, internationally recognized standards and tools to manage organizational ethics, compliance, and business conduct programs. The MSS would be a practical way for organizations around the world to integrate business ethics into their operations. It would define business conduct and would include the means to measure and credibly demonstrate compliance with the standard. The MSS could be a tool for any organization to use, among other things, as a benchmark in measuring and demonstrating the effectiveness of its business conduct program and/or as a standard for business partners to meet. The standard would allow for self-declaration.

Scope:

This MSS will require specific management processes and elements. The following list will be reviewed and supplemented as needed in due course:

- Policies (including compliance standards and procedures to be followed by employees and other agents that are reasonably capable of reducing the prospect of misconduct and demonstrate commitment and principles for action)
- Planning (identification of needs, resources, structure, responsibilities, etc., including oversight by high-level personnel and due care in not delegating substantial discretionary authority to individuals whom the organization knew, or should have known through the exercise of due diligence, had a propensity to engage in illegal activity)
- Implementation and operation (effective communication of standards and procedures to all levels of employees and other agents, e.g., through required training or clear and practical publications)
- Performance assessment and management review (reasonable steps to achieve compliance with standards, including systems for monitoring and measuring, auditing, reporting suspected wrongdoing without fear of retribution, handling non-conformities, and consistent enforcement including disciplinary mechanisms and discipline of individuals responsible for the failure to detect misconduct)
- Improvement (corrective and preventive action, continual improvement; reasonable steps to respond appropriately to and prevent further similar offenses upon detection of a violation)

A.2 Would the proposed MSS work item result in an International Standard (IS), an ISO (IEC) Guide, a Technical Specification (TS), a Technical Report (TR), a Publicly Available Specification (PAS), or an Industry Technical Agreement (ITA)?

The proposed MSS new field of technical activity would result in an International Standard (IS).

A.3 Does the proposed purpose or scope include product or service specifications, product test methods, product or service performance levels, or other forms of guidance or requirements directly related to products or services produced or provided by the implementing organization?

No, the proposed purpose or scope does not include the items described above.

A.4 Is there one or more existing ISO technical committee or non-ISO organization that could logically have responsibility for the proposed MSS? If so, identify.

ANSI does not believe that there are any existing ISO technical committees or non-ISO organizations that could logically have responsibility for the proposed MSS.

A.5 Are relevant reference materials identified such as existing guidelines or established practices?

A significant number of U.S.-based organizations and others have established business conduct programs that are similar to that which would be developed under the proposed standard. Many of these are listed in Appendix 1, a list of member organizations of the EOA, each one of which has in place an internal business conduct program. Additional details on some of these programs may be obtained at the following websites:

- Baxter International Inc. - www.baxter.com
- BellSouth Corporation - www.ethics.bellsouth.com
- The Boeing Company - www.boeing.com/companyoffices/aboutus/ethics/index.htm
- HCA - www.hcahealthcare.com/ethics
- Honda of America Mfg., Inc. - www.ohio.honda.com - The Corporate Compliance and Ethics Office is under the header "Company Information".
- Jet Propulsion Laboratory - www.jpl.nasa.gov/JPL/ethics/
- Kansas City Power & Light - www.kcpl.com/about/Values.htm
- Lockheed Martin - www.lmco.com/exeth/
- Los Angeles Metropolitan Transportation Authority - www.mta.net/corporate/depts/ethics/ethics_start.htm
- Pitney Bowes, Inc. - www.pitneybowes.com/company/index/html - Select "Compliance and Ethics" from the pull down box; select Go.
- Raytheon Company - www.raytheon.com/ethics/
- Sara Lee Corporation - www.saralee.com/corporate_overview/global_business.html - Select "Global Business Standards" to view the code of conduct.
- Texaco Inc. - www.texaco.com/aboutus/index.html - Select the "Quick Link -- Ethics" button.
- United Technologies Corporation - www.utc.com/ethics
- Weyerhaeuser Company - www.weyerhaeuser.com - Select the "Who we are" button, then "Business Conduct".

In addition, there are scores of other standards that have been created in the areas of business conduct, social responsibility, and other areas. Some of these works may be relevant or useful for reference purposes. For example, Ethics Compliance Standard 2000 (ECS2000), which recently has been developed in Japan, is based on a similar model to that being suggested in this MSS proposal. A list of examples of such standards, which is not meant to be exhaustive, is provided in Appendix 1 to the ANSI ISO/TS/P on this subject.

A.6 Are there technical experts available to support standardization work? Are the technical experts direct representatives of the affected organizations from the different geographical regions?

The EOA has approximately 760 members representing some 450 for-profit and non-profit organizations around the world. Approximately one-half of the Fortune 100 and one-third of the Fortune 500 companies are members. Over 50 different industries are represented in EOA membership, including manufacturers, retail companies, financial institutions, insurers, health care organizations, telecommunications groups, public utilities, defense contractors, municipalities, computer and software companies, and non-profit associations. Therefore, it is felt that there are sufficient experts in the field available to serve as technical experts in the support of this standardization effort. Some technical experts, on an individual or representative basis, have already expressed interest in serving in this capacity as well. Some of these experts will be direct representatives of affected organizations and will represent different geographic regions.

A.7 What are the anticipated efforts to develop the document in terms of experts needed and number/duration of meetings?

Concerned parties are committed to an open, consensus process and are fully aware that this effort may require travel, document distribution, and other coordination efforts over several years. It is anticipated that a minimum of two meetings per year would be held. The number of experts needed is unknown at this time, however, it is expected that a sufficient number of experts with the requisite range of expertise will be available.

A.8 What is the anticipated completion date?

Although it is difficult to project, the estimated anticipated completion date is 30 June 2004.

B AFFECTED PARTIES

B.1 Are all the affected parties identified? For example:

- **Organizations (of various types and sizes): the decision-makers within an organization that approves work to implement and achieve conformance to MSS;**
- **Customers/end-users: individuals or parties that pay for or use a product or service from an organization;**
- **Supplier organizations, e.g.: producer, distributor, retailer, or vendor of a product, or a provider of a service or information;**
- **MSS service providers, e.g.: MSS certification bodies, accreditation bodies, consultants;**
- **Regulatory bodies;**
- **Non-governmental organizations.**

The nature of the proposed standard is such that it will have impact on a wide range of organizations and other interested parties. A brief statement of the business case for the primary affected parties is provided below:

Organizations:

More and more companies are recognizing that a single set of international business standards will contribute to better business conduct by employees and companies, and thus greater business success and a more competitive marketplace. Unifying the efforts of multinational businesses will reduce the need for government-mandated ethical standards and enable companies to voluntarily adopt a set of business conduct standards. The basic framework for such business standards would include a common set of generic principles and ground rules from which companies could then address their unique requirements by designing additional standards that define their specific culture. (See also "Section C. Need for a MSS" below.)

Customers/end users:

Customers of businesses are increasingly cognizant of and sensitized to not only what a company produces or provides but also how it conducts its business operations. Customers and end users prefer to do business with an ethical and legally compliant entity. With an ISO global business conduct standard in place, customers anywhere in the world would have a standard against which to measure the business practices of an organization.

Supplier organizations:

Companies rely on vendors, subcontractors, distributors, agents, and other suppliers of goods and services. As the performance and corporate image of a large company increasingly depend on the performance of its network of suppliers and subcontractors, legal and ethical practices must be implemented throughout the complete supply chain. Having many codes of conduct, however, subjects subcontractors to the necessity of meeting many different criteria. This results in the desire to have greater convergence of the content of standards of conduct. A global business conduct MSS would enable vendors and suppliers to meet a universally recognized business conduct threshold. This would assist suppliers by their being able to meet one standard instead of a multitude of such principles.

MSS service providers:

This business conduct MSS would be intended to allow for first-party, second-party, and third-party conformance. Other verification options are also available and should be considered, such as independent validation or independent verification, which are distinct from third-party audits that have been carried out with ISO 9000 and ISO 14000. Other approaches should be considered as well. For example, rather than carrying out site by site or process-oriented audits, verifiers could look at key indicators of an effective business conduct MSS. In short, there are many different ways of demonstrating conformance with a business conduct MSS, including self-declaration, third-party certification, and new ways of carrying out reviews, e.g., independent validation or verification. (See also Section E.1. below.) Business opportunities would be available for MSS service providers to provide services such as those described above.

Government and other regulatory bodies:

Beginning in the mid-1980s, the regulatory environment in the United States has encouraged the voluntary development of internal business conduct programs. The Defense Industry Initiative ("DII") was the first recognized formal approach by members of the defense industry to self-regulate their business conduct efforts. The programs that were developed by the signatories to the DII were voluntary in nature and included audits and public reporting. The U.S. Department of Defense embraced these voluntary initiatives by government contractors. In 1991, the U.S. Sentencing Commission promulgated guidelines to be used in the sentencing of organizations in federal courts. These guidelines, which describe elements of an effective compliance program, were patterned after the DII and quickly became the model for internal business conduct programs in the U.S. It should be noted that these programs are not government mandated or legal requirements and that U.S. governmental and regulatory authorities have strongly endorsed the voluntary adoption of business ethics and compliance programs by organizations. However, there is increasing legislation asking companies to report on certain business activities, and this MSS could be a reference document for reporting in general.

Non-governmental organizations:

A significant number of non-governmental organizations (NGOs) have developed principles and standards. For reasons described in Section C., "Need for a MSS" below (see "What is the need?"), none of these standards meets the needs of ethics and compliance officers in organizations, although companies are to varying degrees paying increasing attention to some of the issues expressed by NGOs. Because a business conduct MSS would be generic in nature, an organization could choose to add topics that address issues which are relevant to the organization. Such issues might include, but not be limited to, labor, occupational health and

safety, environment, sustainability, quality, financial, human rights, anti-corruption, and other issues as appropriate, some of which would be of interest to NGOs and others that might be of lesser importance to these groups.

Investment fund managers:

It is estimated that over \$1 trillion is currently invested in funds that are subject to some form of social screening. As social investing becomes increasingly widespread, investment fund managers, consumers, and others are looking for criteria to use to evaluate companies for social investing and other purposes. This business conduct MSS would be a consistent and internationally developed tool that could be used in these ways.

B.2 Is the MSS intended to impact an organization as a guidance document, a contractual specification, or a regulatory specification?

The MSS is intended to impact an organization as a guidance document.

C NEED FOR AN MSS

C.1 What is the need? Does the need exist at a local, national, regional or global level? Does the need apply to developing countries? Does it apply to developed countries? What is the added value of having an ISO document (for example facilitating communication between organizations in different countries)?

What is the need?

The purpose of the proposed MSS is to create a single set of voluntary, internationally recognized standards and tools to manage organizational ethics, compliance, and business conduct programs. The MSS would be a practical way for organizations around the world to integrate business ethics into their operations. It would define business conduct and would include the means to measure and credibly demonstrate compliance with the standard. The MSS could be a tool for any organization to use, among other things, as a benchmark in measuring and demonstrating the effectiveness of its business conduct program and/or as a standard for business partners to meet.

Beginning in the mid-1980s, the regulatory environment in the United States has encouraged the development of internal business conduct programs. In 1991, the U.S. Sentencing Commission promulgated guidelines to be used in the sentencing of organizations in federal courts. These guidelines, which describe elements of an effective compliance program, quickly became the model for internal business conduct programs in the U.S. Since 1991, an increasing number of U.S.-based organizations have established business conduct programs. However, for the last several years, there has been an expressed interest on the part of managers of internal business conduct programs in finding new and better tools to measure the effectiveness of such programs and to have standards against which to benchmark. Nothing exists that cuts across industries, that can be used globally, or that is able to help organizations adequately assess the effectiveness of their programs and provide results of assessments to stakeholders in a consistent and meaningful way.

In addition, a growing number of international organizations, including government, business, industry associations, and citizens' groups, have developed codes, principles, standards, and guidelines and are approaching businesses with requests to sign on to these principles. Many of these standards address topics other than business ethics and are not generally viewed as addressing the types of management issues ethics and compliance officers face and the types of programs that ethics and compliance officers manage. They also, for the most part, do not approach the issues from a process or management system point of view. There is also

concern that these codes, principles, standards, and guidelines encourage third-party certification, which many view as costly and contributing little added value.

As issues of legal and ethical business conduct are increasingly becoming an integral part of corporate strategic planning and routine operational performance, there is a larger need for organizations to find ways to harmonize existing sets of principles. It is costly for organizations to respond to the multitude of requests for compliance with the myriad of codes that currently exist. Managers of business conduct programs at EOA member companies are stating that there is a need to manage such costs more effectively. They believe that a business conduct MSS can achieve this goal by its becoming the standard against which to create, enhance, or measure a business conduct program. Because many organizations already have programs in place which include the Guide 72 (and thus the ISO 9000 and 14000) MSS elements, there should be only minimal additional costs for these companies to incur in meeting this proposed MSS.

Does the need exist at a local, national, regional or global level?

The need exists at a global level. There is no question that business activities are becoming more and more international in scope and focus. Organizations are increasingly recognizing that they need to have a universal methodology for conducting their business operations ethically. An ISO business conduct MSS would enable organizations to have a single, universally recognized standard for meeting their ethical business obligations.

Does the need apply to developing countries?

Yes, the need applies to developing countries. Developing countries are discovering more and more that in order to be considered credible business partners with entities in more developed countries, they need to have recognized standards of business conduct. They see the need for good business conduct as a way for their countries to enhance possibilities for modernization, development, and increased economic opportunities. By having an ISO MSS with general process management elements and which is developed in an open and consensus manner, with the opportunity for participation by representatives of developing countries, the commitment to such standards by developing countries will be greatly enhanced.

Does it apply to developed countries?

Yes, the need applies to developed countries. Even the developed countries have not been able to create a standard that has achieved widespread acceptance around the world. The U.S. Sentencing Guidelines could be used as a starting point for a business conduct MSS but do not apply universally. EOA member companies do business in every developed country in the world and yet are expressing a need for this type of standard.

What is the added value of having an ISO document (for example, facilitating communication between organizations in different countries)?

ISO is particularly well positioned to provide an international forum and rules-based system for developing standards and overseeing their implementation. It provides an architecture that can build on the existing ISO 9000 quality and ISO 14000 environmental MSSs. ISO also is recognized for its demonstrated ability to facilitate consensus-based outcomes. A MSS of this nature must be developed through a global process, and ISO's methodology in creating MSSs is comprehensive and clear. Furthermore, this type of MSS would be best developed with the involvement of experts such as those in ISO. In addition, it is important not to add more layers and resulting additional cost but rather to simplify and recognize that existing MSSs such as ISO 9000 and ISO 14000 can and should be the basis for any new MSS, which also should complement these existing standards.

It is also believed that ISO's reputation for creating standards of value will lead to the adoption of improved business conduct management practices by means of this MSS and facilitate the discussion of such issues between organizations in different countries around the world.

C.2 Does the need exist for a number of sectors and is thus generic? If so, which ones? Does the need exist for small, medium or large organizations?

Yes, the need exists for a number of sectors and is thus generic. Having good business conduct practices is not sector or industry specific. It also is not size specific. The need exists for any organization of any size.

C.3 Is the need important? Will the need continue? If yes, will the target date of completion for the proposed MSS satisfy the need? Are viable alternatives identified?

Yes, the need is of vital importance, is current, and will continue. The sooner that this MSS can be completed, the better. The EOA continues to learn about increasing activity in various areas of the world indicating that other groups are seriously considering and/or pursuing efforts to develop a global standard in the area of corporate social responsibility. For example, the European Commission has recently published a Green Paper addressing this topic. Many organizations have significant and vast experience in developing and managing effective business conduct programs, in part because of legal implications but also because of a growing emphasis on values-based programs and responsiveness to interested parties. Their experience should serve as the foundation for any future standard. There is strong company interest as well as an opportunity to shape an outcome that is helpful rather than burdensome to business. No viable alternatives have been identified. While there are many other existing standards (see Appendix 1 to the ANSI ISO/TS/P on this subject), none is deemed acceptable for this purpose.

C.4 Describe how the need and importance were determined. List the affected parties consulted and the major geographical or economical regions they are located in.

See above response to the first question in Section C, "What is the need?" This proposal has been discussed with the EOA membership, which represents every industry and geographic region in the U.S., as well as specific members from Australia, Canada, France, Germany, Great Britain, India, Japan, and Switzerland. The proposal also has been presented at conferences in Canada, Germany, and Great Britain, and through a global e-conference sponsored by the World Bank.

C.5 Is there a known or expected support for the proposed MSS? List those bodies which have indicated support. Is there known or expected opposition for the proposed MSS? List those bodies which have indicated opposition.

It is believed that the proposal will receive widespread support from corporations and organizations in the ethics and compliance field. It is possible that there may be opposition from some organizations that have promulgated other standards. At this point, no organization has indicated its opposition. Although no individual or organization has formally opposed the development of a business conduct MSS, there have been some concerns expressed. Even while articulating concerns and questions, these groups have pointedly voiced support for the concept. The concerns primarily relate to, on the one hand, a fear of third-party certification and costs related to such certification activities, and, on the other hand, a displeasure with the lack of a requirement or even encouragement of third-party certification in the proposal.

The former view has been heard from some representatives of organizations that have had negative experiences with third-party certification associated with ISO 9000 and ISO 14000. They believe that third-party certification is inevitable with any MSS and that the costs of

certification are too high and generally have added little or no value to anyone other than the certification bodies. The latter and opposing view has been expressed by some who believe that anything other than third-party certification is not sufficiently reliable upon which to judge or verify avowed compliance with business conduct standards.

ANSI believes that the focus should remain on creating a model business conduct MSS rather than also trying to solve admittedly difficult, often conflicting, and, at times, seemingly insurmountable conformance issues, many of which are being addressed in other forums. In any event, some points can be made here. First, it is strongly believed that self-declaration should be the preferred approach but that second or even third-party conformance may be necessary or desirable to meet certain customer, regulatory, or other requirements. As noted above, in Section B. "Affected parties", (see sub-section on "MSS service providers"), other possibilities for conformance to a business conduct MSS should be explored. However, if third-party certification is chosen for a particular reason, it is believed that a business conduct MSS could easily be integrated into the certification process(es) for other ISO MSSs or possibly vice versa. Furthermore, a business conduct MSS could also be included in the independent financial audits that almost every business undergoes at least annually. ANSI believes that the incremental costs of certifying to a MSS that is complementary to existing MSSs and other management processes in an organization should not be nearly as great as has been expressed and is feared.

Secondly, U.S. governmental and regulatory authorities, including the Department of Defense, the Department of Health and Human Services, the Department of Justice, and the U.S. Sentencing Commission, have strongly endorsed the voluntary adoption of business ethics and compliance programs by U.S. companies. They generally have not required outside verification of conformance. (It should be noted here that in some exceptional cases, when a company has been found to have violated certain legal or regulatory requirements, the government and that company have entered into an agreement to have third-party verification of certain compliance procedures.)

Third, the preference for third-party certification by some consumer groups, NGOs, and others has not been met with widespread acceptance thus far. Cost is one reason. Another is that there is no single standard that has been recognized as one to which companies want to certify. Having an ISO business conduct MSS that can be more widely accepted than the existing standards, is generic, and would enable individual companies to include areas of interest in their MSS as appropriate will arguably be better for the groups advocating third-party certification than the situation that exists today.

It should also be noted that, as stated previously, organizations have been developing and implementing business conduct programs since the mid-1980s and have done so using self-declaration. This has been the history since the inception of business conduct programs and is what lends credibility to ANSI's promoting of self-declaration as a preferred approach. This preference will not prevent efforts by those who choose to take a different approach, although we would note that, except in extremely rare circumstances (e.g., early years of the DII; voluntary pleas of guilty to criminal offenses and resulting agreements between an organization and the government), there has not been a requirement or need for outside verification.

D SECTOR SPECIFIC MSS PROPOSALS

D.1 Is the MSS for a single specific sector?

No.

D.2 Will the MSS reference or incorporate an existing, non-industry specific ISO MSS (e.g. a standard from the ISO 9000 family)? If yes, will the development of the MSS conform to the ISO/IEC Sector Policy (Clause 6.6.4 Directives Part 2), and any other relevant policy and guidance procedures (e.g. those that may be made available by a relevant ISO technical committee such as ISO/TC 176/N299R3: July 2000)?

The business conduct MSS is intended to complement but not incorporate existing non-industry specific ISO MSSs.

D.3 What steps have been taken to remove or minimize the need for particular sector-specific deviations from generic MSS?

The model upon which the proposed MSS is largely based has been the accepted standard by all industries in the U.S. since 1991. The U.S. Department of Health and Human Services, which has been issuing model business conduct program guidance documents specifically for various segments of the health care industry, has included as basic recommended components in all such guidance publications the same generic elements that are in the U.S. Sentencing Guidelines for Organizations. Various industry or sector specific aspects, if needed, could be included in MSS guidance documents but would not need to be deviations from the generic MSS.

E VALUE OF A MSS

E.1 Value to an organization implementing MSS

E.1.1 What are the expected benefits and costs to organizations, differentiated for small, medium and large organizations if applicable?

A primary benefit to an organization is that a MSS would be a practical means by which organizations around the world can integrate business ethics into their operations. An effective business conduct management system will benefit an organization by helping protect and enhance its reputation, minimize its liability, and maintain its long-term viability. Having such a management system in place also helps an organization (i) provide confidence to its interested parties that a management commitment exists to meet the provisions of its policy, objectives, and targets; (ii) demonstrate that emphasis is placed on prevention rather than corrective action; (iii) show evidence of reasonable care and regulatory compliance; and (iv) incorporate the process of continual evaluation and improvement into the process.

Economic and social advantages that would result from the adoption of an ISO business conduct MSS include:

- It will create a set of practical and usable guidelines for companies and organizations of all sizes to achieve business conduct management excellence.
- It will be a recognized means to enable organizations to demonstrate commitment to ethical business practices in the most cost-effective manner.
- It will enable organizations to protect their brand equity and defend their reputation.
- It can be a consistent measurement tool to demonstrate effectiveness of programs.
- It will create a standard that is based on a model that is already adopted by many organizations. Most importantly, there is a similarity between ISO Guide 72 elements and elements of existing internal business conduct programs, and thus adoption of this standard would not be onerous to organizations with such programs. It is believed that this commonality will significantly facilitate the development of a business conduct MSS.
- It can result in reconciliation of global principles and harmonization of local and cultural standards within an international framework, thus helping companies address the high cost of responding to a proliferation of standards.

- It can be a standard for joint venture and other business partners to meet, which can facilitate global business.
- It may pre-empt legislation.
- It can be used by consumers, investment fund managers, and others in evaluating companies for social investing and other purposes.
- It can help organizations defend against a violation as an anomalous event.

The cost to organizations is minimal because this MSS would be consistent with existing programs that are based on the U.S. Sentencing Guidelines for Organizations and ISO 9000 and 14000.

E.1.2 Describe how the benefits and the costs were determined. Provide available information on geographical or economical focus, industry sector, and size of the organization. Provide information on the sources consulted and basis (e.g., proven practices); premises, assumptions and conditions (e.g., speculative or theoretical); and other pertinent information.

The determination of costs and benefits is not speculative or theoretical but is based on the actual experience of hundreds of corporations that have implemented similar business conduct programs since 1985. For more than fifteen years, organizations have openly shared best practices through a variety of forums sponsored by the Conference Board, the Defense Industry Initiative, the Ethics Officer Association, the U.S. Sentencing Commission, and others.

E.1.3 Will the MSS allow an organization to competitively add to, differentiate, or encourage innovation of its management system beyond the standard?

Yes, absolutely. For almost twenty years, hundreds of organizations have been creating, maintaining, and enhancing formal business conduct programs. Many organizations have been creative and innovative in finding ways to keep their programs interesting, current, and relevant for their stakeholders. This MSS would be designed to similarly allow for and encourage organizations to use the MSS as a framework from which they would be free to innovate and tailor to their own needs.

E.1.4 If the intended use is for contractual or regulatory purposes, what are all potential methods to demonstrate conformance (e.g., first party, second party, or third party)? Does the MSS enable organizations to be flexible in choosing its method of demonstrating conformance, and to accommodate for changes in its operations, management, physical locations and equipment?

The standard is intended to allow for first party, second party, and third party conformance. The MSS will enable organizations to be flexible in choosing methods of demonstrating conformance and to accommodate for changes in operations, management, physical locations, and equipment.

E.1.5 If third-party registration/certification is a potential option, what are the anticipated benefits and costs to the organization? Will the MSS facilitate joint audits with other management system standards or promote parallel assessments?

One of the reasons for the proposal of a new MSS is that there is a belief by some parties that there has not been value added with third-party certification on other standards thus far. In some cases, however, there may be a customer, market, or regulatory need for third-party certification. This MSS will facilitate joint audits with other MSSs and promote parallel assessments.

E.2 Value to other affected parties

- E.2.1 What are the expected benefits and costs to other affected parties (including developing countries)?**
- E.2.2 Describe how the benefits and the costs were determined. Provide the information you have regarding the affected parties indicated.**
- E.2.3 What will be the expected value to society?**

It cannot be overemphasized that all parties affected by commerce benefit when commerce is conducted in accordance with ethical business practices.

F RISK OF TRADE BARRIER

- F.1 How would the MSS facilitate or impact global trade? Could the MSS create or prevent a technical barrier to trade?**

This MSS would create a more level playing field, consistency, and predictability. It will improve trust in the system of commerce and will improve global trade.

- F.2 Could the MSS create or prevent a technical barrier to trade for small, medium or large enterprises?**

No.

- F.3 Could the MSS create or prevent a technical barrier to trade for developing or developed countries?**

No.

- F.4 If the proposed MSS is intended to be used in government regulations, will it likely add to, duplicate, replace, enhance or support existing governmental regulations?**

This MSS has the potential to enhance or support governmental regulations. It is consistent with regulatory models in the U.S. and can serve as a catalyst and model for regulatory frameworks that promote ethical business practices around the world. Yet the MSS is intended to be voluntary standardization and is not intended to take the place of legislation or regulation.

G RISK OF INCOMPATIBILITY, REDUNDANCY AND PROLIFERATION

- G.1 Is there potential overlap or conflict with other existing or planned ISO or non-ISO international standards? At the national or regional level? Are there other public or private actions, guidance, requirements and regulations that seek to address the identified need, such as technical papers, proven practices, academic or professional studies, and other body of knowledge?**

There is no known potential overlap or conflict with other existing or planned ISO or non-ISO international standards. There is other guidance that seeks to address the identified need. Business ethics has been an academic and professional field of study for twenty-five years. There are hundreds of academic centers and other organizations that cumulatively constitute an evolved body of knowledge on the topic.

- G.2 Is the MSS or the related conformity assessment activities (e.g. audits, certifications) likely to add to, replace all or parts of, harmonize and simplify, duplicate or repeat, conflict with,**

or detract from the existing activities identified above? What steps are being considered to ensure compatibility, resolve conflict, or avoid duplication?

The MSS will harmonize and simplify existing activities. It is expected that the ISO process will provide an open consensus forum.

G.3 Is the proposed MSS likely to promote or stem proliferation of MSS at the national or regional level, or by industry sectors?

No.

H OTHER RISK FACTORS

H.1 Are there any other risks identified (for example timeliness, unintended consequences or to a specific business)?

While the estimated anticipated completion date of 30 June 2004 may be ambitious, there is a risk that other activities by other groups may result in the development of a global standard in a seemingly related area without the significant and vast experience of the U.S. in developing and managing effective business conduct programs. For this and other reasons, there is a vital need to proceed with this effort as soon as possible.

ETHICS OFFICER ASSOCIATION

Dedicated to promoting ethical business practices

Member Organizations

List as of November 2001

AAA Life Insurance Company
Abbott Laboratories
ABT Associates, Inc.
AdvancePCS
Aetna Inc.
AFC Enterprises, Inc.
Affiliated Computer Services Inc. (ACS)
Agfa Corporation
AGL Resources
Air Liquide America
Akzo Nobel, Inc.
Alabama Power
Alcoa
Allegheny Technologies Inc.
Alliant Energy Group
Allina Health System
Allstate Insurance Company
Alyeska Pipeline Service Company
America Online, Inc.
American Airlines, Inc.
American Arbitration Association
American Cancer Society, Inc.
American Electric Power Company, Inc.
American Express Company
American Family Mutual Insurance Company
American Honda Motor Co., Inc.
American Red Cross
American Standard Companies
AmeriSteel
Amica Mutual Insurance Co.
Anthem Blue Cross and Blue Shield
AOL Time Warner
Applied Materials, Inc.
Archer Daniels Midland Company
ARINC Incorporated
AT&T
AT&T Broadband
Atlantic Marine Holding Company
Aurora Foods Inc.
The Auto Club Group
Avery Dennison
The Babcock & Wilcox Company
BASF Aktiengesellschaft
BASF Corporation
Bath Iron Works / a General Dynamics Company
Baxter International Inc.
Baxter Limited
Bayer Corporation
BC Hydro
Bechtel Jacobs Company LLC
Bechtel National, Inc.
Bechtel Nevada
Bechtel Systems & Infrastructure, Inc.
Becton Dickinson
Bell Canada
Bell Helicopter Textron, Inc.
BellSouth Corporation
Bertelsmann AG
Best Buy Company, Inc.

Beth Israel Deaconess Medical Center
Blue Cross and Blue Shield of Florida
Blue Cross and Blue Shield of Louisiana
Blue Cross Blue Shield Association - FEP
BlueCross and BlueShield of Missouri
BlueCross BlueShield Association
BMG Entertainment
Boeing Airlift and Tanker
Boeing Commercial Airplane
The Boeing Company
Boeing Company - Military Aircraft & Missile Systems
Boeing Company - Military Aircraft & Missile Systems Group
Boeing Corinth - Engineering & Computing Systems
Boeing Electron Dynamic Devices, Inc.
Boeing Satellite Systems
Boeing Space & Communications
Boston Scientific Corporation
British Telecom
Brodart Company
Cablevision Systems Corporation
Cabot Corporation
Calgary Board of Education
Caltex Companies in Singapore
Capital Blue Cross
CareGroup, Inc.
Caremark Rx, Inc.
Cargill Incorporated
Catellus Development Corporation
Caterpillar Inc.
Catholic Youth Organization
Center for Business Ethics
CenturyTel
Chief Review Services, Department of National Defence (NDHQ)
Christian Brothers Investment Services, Inc.
CHRISTUS HEALTH
CIGNA Corporation
Cigna Investment Management
Cingular Wireless
Cisco Systems, Inc.
City of Jacksonville, Florida
City of Philadelphia
Colgate Palmolive Company
Comdisco, Inc.
ComEd
Compaq Computer Corporation
CompuCom
Computer Sciences Corporation (CSC)
Connectiv
ConEdison Company of New York
Consolidated Edison
Consolidated Edison of New York, Inc.
Constellation Energy Group
Coors Brewing Company
CoorsTek, Inc.
Countrywide Credit Industries, Inc.
County of San Diego, Office of Internal Affairs

Cox Communications
CVS Corporation
DaimlerChrysler Corporation
Dell Computer Corporation
DENSO International America, Inc.
Department of National Defence
DIRECTV Enterprises, Inc.
DNA Sciences, Inc.
Dollar General Corporation
Dominion Resources Services, Inc.
Dow AgroSciences LLC
The Dow Chemical Company
DRS Technologies, Inc.
DTE Energy
Duke Energy - McGuire Nuclear Station
Duke Energy Corporation
Dynamics Research Corporation
Dynegy Inc.
Eastman Kodak
EDS
EFW Inc.
El Paso Corporation
ELCAN Optical Technologies - A Raytheon Sys. Co.
Energy East Corporation
Environmental Systems Products (ESP)
Equiva Services LLC
Excellus, Inc.
Exelon Corporation
F. Schumacher & Co.
Federal Express Corporation
Fidelity Mutual Life Insurance Company
First Data Corporation
FirstMerit Corporation
Ford Motor Company
Foster Wheeler Corporation
Frequency Electronics
Fresenius Medical Care of North America
Friedkin Companies, Inc.
Gateway
GE Aircraft Engines
General Dynamics
General Dynamics - Worldwide Telecom. Systems
General Dynamics Defense Systems
General Dynamics Information Systems
General Dynamics Ordnance and Tactical Systems
General Electric Co.
General Motors Corporation
Georgia Gulf Corporation
Georgia-Pacific Corporation
Getronics
Glaxo SmithKline
Glaxo Wellcome, Inc.
Goodrich Aerostructures Group
Government & Industrial Group of McDermott, International
Government of the District of Columbia, Office of Chief Financial Officer, ISIA
Granite Construction Incorporated

ETHICS OFFICER ASSOCIATION

Dedicated to promoting ethical business practices

Member Organizations

List as of November 2001

Great American Financial Resources, Inc.
Great-West Life
Guardsmark, Inc.
Gulf Power Company
Gulf States Toyota, Inc.
H.B. Fuller Company
H.J. Heinz Company
Halliburton Company
Hand Arendall, L.L.C.
Handleman Company
Harley Davidson Financial Services
Hartford Financial Services Group
Harvard University
HCA
Health Canada
Health Care Service Corporation (Blue Cross Blue Shield of Illinois and Texas)
Health Net, Inc.
Hercules, Incorporated
Hershey Foods Corporation
Hexcel Corporation
Highmark, Inc.
Highmark, Inc. d/b/a Pennsylvania Blue Shield
Hitchiner Manufacturing Company, Inc.
Holt Companies
Holt Company of Texas
Home Depot
Honda Engineering N.A. Inc.
Honda of America Mfg., Inc.
Honeywell International Inc.
Houghton Mifflin Company
Howmet Castings
Hudson Technologies Company
Hughes Electronics Corporation
Human Services Consultants Management, Inc.
Humana Inc.
IBJ Whitehall Financial Group
IDACORP
IMC Global Inc.
Ingram Micro Inc.
Inspector Gen. Div., Dept. of Defence, Australia
Institute of Electrical and Electronics Engineers
Integrated Electrical Services
International Monetary Fund
International Paper
IT Group, Inc.
ITT Industries, Inc.
J. Ray McDermott S.A.
J.M. Huber Corporation
Jack in the Box, Inc.
Jacobs Engineering Group Inc.
Jet Propulsion Laboratory
John Hancock Mutual Life Insurance Company
Jostens Inc.
Kansas City Power & Light
KAPL, Inc.
Kellogg Company
Kerr-McGee Corporation
KeySpan
Kimberly-Clark Corporation
Koch Industries, Inc.
Koch Petroleum Group LP
Kollman, Inc.
Kraft Foods International
L.A. County Metropolitan Transportation Authority
Laidlaw, Inc.
Lockheed Martin
Lockheed Martin - GES
Lockheed Martin - Manassas
Lockheed Martin - Technology Services Group
Lockheed Martin Aero - Palmdale
Lockheed Martin Aeronautical Systems
Lockheed Martin Aeronautics - Marietta
Lockheed Martin Astronautics
Lockheed Martin Corporation
Lockheed Martin Corporation - Management & Data Systems
Lockheed Martin Enterprise Information Systems
Lockheed Martin Global
Telecommunications
Lockheed Martin Global
Telecommunications (LMGT)
Lockheed Martin Information Systems
Lockheed Martin Management & Data Systems
Lockheed Martin Missiles & Fire Control
Lockheed Martin Mission Systems
Lockheed Martin NE&SS
Lockheed Martin NE&SS - Surface Systems
Lockheed Martin Ocean, Radar & Sensor Systems
Lockheed Martin Space Operations
Lockheed Martin Space Systems Company
Lockheed Martin-Technology Services Group
Los Angeles Unified School District
Louisiana-Pacific Corporation
The Lubrizol Corporation
Lucent Technologies Inc.
M/A-Com, a Division of AMP, Incorporated
Management & Training Corporation
Manulife Financial
Marathon Ashland Petroleum LLC
Marathon Oil Company
Marriott International, Inc.
Maryland Assoc. of Nonprofit Organizations, Inc.
Massachusetts Bay Transportation Authority
Massachusetts Independent Automobile Dealers Assoc
MassMutual Life Insurance Company
MBNA America
McDermott International, Inc.
Mead Corporation
Medica Health Plans
Medtronic, Inc.
Memorial Health
Memorial Health University Medical Center
Merck & Co., Inc.
MetLife Auto and Home Insurance Company
Metropolitan Life Insurance Company
Miami-Dade County Commission on Ethics
Microsoft Corporation
Miller Brewing Company
MITRE Corporation
Monsanto Company
Morris Machine Co., Inc.
Motorola, Inc.
National Association of Securities Dealers, Inc.
National Grid USA Service Company, Inc.
Nationwide
NCR Corporation
Nestle USA, Inc.
The Network, Inc.
New Dimensions in Health Care
New York City Conflicts of Interest Board
New York Life Insurance Company
New York Power Authority
New York Stock Exchange
Nextel Communications
Niagara Mohawk Holdings, Inc.
NiSource Inc
Nortel Networks
Northeast Utilities Systems
Northrop Grumman Corporation
Northrop Grumman Corporation, Integrated Systems Sector
Novartis Corporation
Novartis Seeds, Inc.
OEA, Inc.
Office of the Auditor General of Canada
Ohio Presbyterian Retirement Services
OhioHealth
Olin Corporation
Ontario Power Generation
Orange & Rockland Utilities, Inc.
Owens Corning
Oxford Health Plans, Inc.
Pacific Gas & Electric Company
Pall Corporation
Pepsi Bottling Group
Pfizer Inc.
PG&E Corporation
Pharmacia Corporation
PHICO Group, Inc.
Philip Morris Companies Inc.
Philip Morris Management Corp.
Philip Morris U.S.A.
Phillips Petroleum Co.
Phoenix Home Life Mutual Insurance Co.
Pinkerton Services Group
Pinkerton's Inc.
Pinnacle West Capital Corporation

ETHICS OFFICER ASSOCIATION

Dedicated to promoting ethical business practices

Member Organizations

List as of November 2001

Pioneer Natural Resources Company
Pitney Bowes, Inc.
PMI Mortgage Insurance Co.
PNC Financial Services Group
PPG Industries, Inc.
PricewaterhouseCoopers
PRIMEX Technologies, Inc.
Principal Financial Group
Progress Energy
Providence Health System
Province Healthcare
Prudential Insurance Company
PSEG Services Corporation
Public Service Company of New Mexico
Public Service Electric & Gas Company
Public Works and Government Services
Canada
Quest Diagnostics
Quintiles Transnational Corp.
QVC, Inc.
Qwest
Raytheon - Electronic Systems
Raytheon Aerospace Company
Raytheon Aircraft Company
Raytheon Company
Raytheon Strategic Systems Division
Raytheon Systems Company
Raytheon Technical Services Company
Regence Blue Shield - Washington
Regence BlueCross BlueShield of Oregon
Regence BlueCross BlueShield of Utah
Regence BlueShield of Idaho
Research Triangle Institute
Reuters America Inc.
Rochester Gas & Electric Corporation.
Rogers Group, Inc.
Rolls-Royce Corporation
Royal Bank of Canada
Royal Canadian Mounted Police
Ruder Finn
Sandia National Laboratories
Sara Lee Corporation
Savannah Electric
SBC Communications, Inc.
SCANA Corporation
Schindler Elevator Company
Science Applications International
Corporation (SAIC)
Scotts Company
Sears, Roebuck and Co.
Securities Industry Association
Sequa Corporation
SGS Societe Generale de Surveillance
Holding SA
Shell Oil Company
Shiseido Company, Limited
Shiseido International Corporation
Siemens Energy & Automation, Inc.
Simplex Time Recorder Co.
SmithKline Beecham
Sony Electronics, Inc.
Sotheby's Holding, Inc.
Southern California Edison Company
Southern Company
Sprint Corporation
St. Paul Fire and Marine Insurance
Company
State Bar of California
State Farm Insurance Companies
State Street Corporation
Steelcase, Inc.
Stephens, Inc.
Stewart & Stevenson Services, Inc.
Structure Tone Inc.
Summit Pointe
Sun Microsystems, Inc.
TATA Quality Management Services - A
Division of Tata Sons Ltd.
Technitrol
TECO Energy, Inc.
Teledyne Electronic Technologies
Tenet Healthcare Corporation
Texaco Inc.
Texas Health Resources
Texas Instruments, Inc.
Texas-New Mexico Power Company
Textron Fastening Systems
Textron, Inc.
Township of Scotch Plains, New Jersey
Trataros Construction, Inc.
Truman Medical Centers, Inc.
TRW Aeronautical Systems Group
TRW Inc.
TRW Space & Electronics
TRW Systems
TXU
Tyco International, Ltd.
Tyson Foods, Inc.
Unigraphics Solutions Inc.
Unilever United States, Inc.
Union Pacific Railroad
Unisys Corporation
United Airlines
United Parcel Service
United Space Alliance
United States Department of Housing &
Urban Development
United States Enrichment Corporation
United States Filter Corporation/Aqua
Alliance Inc.
United States Taekwondo Union
United Technologies Corporation
UTC - Carrier Corporation
UTC - Chemical Systems Division
UTC - Hamilton Sundstrand
UTC - International Fuel Cells LLC
UTC - Otis Elevator Company
UTC - Pratt & Whitney
UTC- Pratt & Whitney Canada, Inc.
UTC - Sikorsky Aircraft
United Wisconsin Services, Inc.
University of Illinois
UNOVA, Inc.
USAA
Verizon Communications
Verizon Wireless
Vinnell Corporation
Virginia Commonwealth University Audit &
Management Services
Volvo Commercial Finance LLC The
Americas
Vought Aircraft Industries, Inc.
Wacker Silicones Corporation
Walker Information
The Walt Disney Company
Washington Gas
Washington Group International, Inc.
Waste Management
Wendy's International, Inc.
Westinghouse Savannah River Company
Westvaco Corporation
Weyerhaeuser Company
Williams
Williams Communications
Worker's Compensation Board Canada
The World Bank Group
Xerox Corporation
YMCA of Frederick County
Zurich - Global Compliance Solutions
Zurich Financial Services