The Importance of a Code of Conduct

(Criterion 11.5)

Last Updated: July 1, 2020

The Customs Trade Partnership Against Terrorism (CTPAT) program is one layer in U.S. Customs and Border Protection's (CBP) multi-layered cargo enforcement strategy. Through this program, CBP works with the trade community to strengthen international supply chains and improve U.S. border security.

This CTPAT Bulletin addresses the importance of having a Code of Conduct in place and provides guidance to the Members on how to meet this important personnel security requirement. Let's start with what minimum security criterion 11.5 actually states:

> **Criterion**: CTPAT Members must have an Employee Code of Conduct that includes expectations and defines acceptable behaviors. Penalties and disciplinary procedures must be included in the Code of Conduct. Employees/contractors must acknowledge that they have read and understood the Code of Conduct by signing it, and this acknowledgement must be kept in the employee's file for documentation.
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> **Implementation Guidance**: A Code of Conduct helps protect your business and informs employees of expectations. Its purpose is to develop and maintain a standard of conduct that is acceptable to the company. It helps companies develop a professional image and establish a strong ethical culture. Even a small company needs to have a Code of Conduct; however, it does not need to be elaborate in design or contain complex information.

What is a Code of Conduct? A Code of Conduct is an important company document that describes how its employees are expected to behave. A Code of Conduct governs actions; it is a set of documented rules employees and other stakeholders can reference to ensure they are performing in their positions as expected by the company. Temporary and part-time contracted staff, not just employees, must also adhere to the Code of Conduct.

A company's Code of Conduct needs to clearly outline what it believes as an organization, how each employee should treat each other and the individuals they interact with as representatives of your business. Codes must provide a very clear set of expectations about which actions are required, acceptable or prohibited. The Code of Conduct can also provide guidance on whistleblowing and anonymous reporting for employees to take action when they believe a violation has taken place.

While public companies are required by law to have a Code of Conduct in place, CTPAT requires all of its Member companies to do so.

Finally, enforcement of the code is critically important. Everyone, from the top down, need to be held accountable, and those violating the company's Code of Conduct must face disciplinary action. The code, therefore, must be supported by penalties and disciplinary procedures.

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What are the benefits of a Code of Conduct? A code has value as an internal guide and as an external statement of a company's values and commitments. Indeed, a Code of Conduct helps create and maintain a company's culture. It helps drive a company's commitment to supply chain security.

These are some of the benefits of having a Code Conduct in place:

1. It encourages ethical behavior. A well-written Code of Conduct clearly articulates an organization's mission and values, and by doing so, it defines how everyone in the organization must behave.

2. It makes your company a better place to work. Employees can use the code as a reference and as a guide, educating and empowering them to make the right decisions as they encounter ethical challenges.

3. From a marketing perspective, a code serves as a public statement of a company's values and principles and of its commitment to high standards and conduct. It serves to promote a company's reputation. From a CTPAT perspective, on the other hand, a Code of Conduct helps support a company's commitment to the integrity and security of the international supply chain.

4. It promotes trust among business partners and stakeholders. A company that communicates its commitment to ethical behavior, and most importantly abides by it, will create a virtuous circle of loyal and like-minded companies that seek to do business with each other because they are equally committed to ethical conduct.

What about small companies? Family-owned operations or small companies may develop a scaled down version of a Code of Conduct. The document does not need to be complex or have elaborate policies, but the document does need to highlight what the company expects from each family member or employee.

Enforcement of the Code of Conduct should not be softened because a company is small or because it is family-based enterprise. In fact, just the opposite is true. One bad apple in a small basket will make the whole basket look bad to the outside world. Full adherence to the code at all times is therefore even more important for a small company.



Moreover, if a company fails to enforce the code or if it allows rules to be bent, an unofficial rule book of the company emerges, and these rules become embedded in every day practices risking uncertainty of what is appropriate and what is forbidden or inappropriate.

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What types of provisions should be incorporated into a Code of Conduct?

Below are some of the most important provisions found in Codes of Conduct. These provisions will vary from organization to organization based on the type of business and the overall goals of the company in implementing the Code of Conduct.

Integrity – Be straightforward and honest in all professional and business relationships.

- Compliance with government laws and regulations – including those laws that prohibit the use of all forms of forced labor in the supply chain.
- Accuracy of records and reports (e.g. financial and expense reports; employee records).
- Zero tolerance on corruption practices, such as bribes, extortion and involvement in illegal activities, including drug trafficking, money laundering and human trafficking.

Objectivity – Employees must not allow bias, conflicts of interest, or the undue influence of others to compromise sound judgement. Have clear policies when it comes to issues such as:

- Acceptance of gifts / Outside employment
- Employment of family members in the same company

Professional Competence and Due Diligence – Employees must put forth an honest effort in the performance of their duties.

- Maintaining and securing client and vendor records and information
- Privacy and confidentiality
- Disclosure of information
- Procurement and contracts negotiation

Employment Practices – The company is an equal employment opportunity employer and has clear policies that protect all employees.

- Workplace harassment
- Equal opportunity regardless of race, color, religion, sex, national origin, age, or handicap
- Discrimination
- Illegal drugs and alcohol
- Use of company's property and resources

Internet and Social Media

- Use of internet and access to social network websites while at work
- Prohibited sites and content
- Policies regarding posts in social media websites about the company, work products, co-workers, and contractors

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What else do I need to know to comply with this CTPAT requirement? In validating this critical requirement, CTPAT does not want to create an additional burden to those companies that have had Codes of Conduct in place for many years. With this in mind, the program will afford companies the needed flexibility in meeting this criterion, as follows:

1. The Code of Conduct may be an independent document, separate from the penalties and disciplinary procedures. CTPAT understands that many Members have punitive language already spelled out in formal security policies. Moreover, the program is also sensitive to the fact that many Members want their Code of Conduct to be positive in nature, and putting penalties and disciplinary actions in the code would counteract that objective.

2. For a Code of Conduct to be effective, employees and temporary and part time contracted staff need to be aware of it and read it. In addition, the CTPAT program needs to be able to validate that this was indeed the case. Members are able to document that their employees have read the code and are aware of it in any of the following ways:

    - Employees may sign a document acknowledging that they have read and understood the Code of Conduct. This document must be kept in the employee's file for documentation.

    - Posting the Code of Conduct on the company's public website or intranet, letting employees know of its location, and encouraging them to talk to their managers, supervisors or human resources staff should they have any questions or concerns about the Code.

    - Posting the Code of Conduct in prominent places of the company –such as the employee cafeteria and the Human Resources office.

    - Providing training on the Code of Conduct and maintaining records of such training –to include when the training was delivered and who attended.

A Code of Conduct is critical to an organization because it helps drive behaviors, and the company's executives and management staff play a critical role in its success. They need to lead by example and fully adhere to the Code of Conduct. However, they also need to make sure that all employees and contracted staff adhere to the code and they need to promote it throughout the entire organization.

CTPAT Program

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