A GUIDANCE TO THE 5A FRAMEWORK
BUILDING A ROBUST INTEGRITY SYSTEM
THAT WORKS FOR TOY MANUFACTURERS

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Businesses and your global customers increasingly recognize the benefits of a “zero tolerance” position on bribery and corruption. Companies address the issue of bribery and corruption in their codes of ethics (or equivalent document). Many corporates also reinforce their commitment by going after supreme legislation and external initiatives. It is therefore vital for your factory to keep in pace with the enforcement environment of your business circles.

There are many leading principles and practices by companies implementing integrity compliance programs. It should be noted, however, that the elements of an effective integrity compliance program may vary by company. A company’s particular situation may require additional or fewer processes or control. Company will have to build the most effective integrity program of its own based upon its risk, business nature and other major features. This document, therefore, aims to provide a Practical Guide under the 5A Framework for toy manufacturers in the ICTI Ethical Toy Program to follow through.

The 5 Key Steps to A Robust Integrity Program:

1. Adequate Understanding of Local Law

Prior to developing a strategy that works for your company, it should be built from the basics. You should ensure your company a good understanding of the legislations of the country. Your business as a minimum, must meet the requirements of local and national laws related to bribery, corruption, or any type of fraudulent business practices.

Practical Guide for Factories:

1.1 Consult with your legal counsel concerning local bribery laws that might apply to the jurisdictions where you do business.

1.2 Establish a written document capturing all fiscal legal requirements; and ensure the document is up to date.
2 Assess the Risk

Taking the time to thoughtfully identify and analyze risk is essential to developing an effective internal control mechanism. Your company needs to allocate adequate resources and demonstrate due care in building up your company’s own compliance program.

The first stage of risk assessment should focus on actual risks posed by the nature of a company’s operations, the countries where it does business, the regulatory environment and other factors. The second stage should identify what policies and controls your company has in place to mitigate its corruption risk and analyze the effectiveness or gaps in such policies and controls. The output of assessment should be able to bring you outlines of detailed recommendations for the design and implementation of the anti-corruption compliance program elements that your company needs.

**Practical Guide for Factory:**

2.1 Start from your factory’s operation, taking into account its organization structure, and refine to daily work process particularly to the employee’s job nature.

2.2 Review work procedures, particularly of vulnerable working environment (e.g. work individually; personnel in control of finance).

2.3 Conduct employee interviews that can be performed by corporate level and in high-risk roles (e.g. compliance/quality officer; procurement).

3 Assemble Strategies and Policies

With the risk assessment data, the next step is to develop a plan to address issues raised by building a practical and effective Business Ethics Program, in the form of an internal document, which clearly articulates values, policies and procedures to be used to prevent, detect, investigate and remediate all forms of corruption/bribery in all activities. You must make a clear and unambiguous statement of your company’s position on anti-corruption control that on any scale or level will not be tolerated.

**Practical Guide for Factory:**

The Business Ethics Program should include the following elements in written form.

3.1 You must make a clear and unambiguous statement of your factory’s position on anti-corruption control that any scale or will not be tolerated. In the form
of an acknowledge letter, shows a strong, explicit, visible, and active support and commitment from senior management, and the factory’s Board of Directors or similar bodies, for the Program and its implementation.

3.2 Clearly define bribery/corruption/improper advantage. Compliance with the Program is mandatory and is the duty of all individuals at all levels of the factory.

3.3 Appoint a designated person to be fully responsible and capable of the Program establishment and execution. The appointment should be documented. The designated person should be someone of a top management.

3.4 Set forth the financial controls to minimize bribery risk for the organization, especially when key business functions such as sales and marketing, procurement, human resources, and compliance/quality checks are involved. Your factory should have in place a clear written procedure of a comprehensive recordkeeping practice.

- How the decision is made?
- What payment is approved?
- Who approved the payment?
- When the payment is approved?

3.5 Your factory should establish controls and procedures covering gifts, hospitality, entertainment, travel or other expenses to ensure that they are reasonable, do not improperly affect the outcome of a business behavior, or otherwise result in an improper advantage. Your factory should not allow employees to offer or provide, solicit, accept, or attempt to solicit or accept, any gift or entertainment to auditors.

3.6 Duty to report – The policy should encourage employees to report violations or seek guidance. Your factory shall communicate to all personnel that they have a duty to report promptly any concerns they may have concerning business ethics issue, whether relating to their own actions or the acts of others.

3.7 Grievance channel - Provide channels for communication (including confidential channels) by, and protection of, persons not willing to violate the business ethics under instruction or pressure from hierarchical superiors, persons willing to report breaches of business ethics occurring within the factory, as well as for whistleblower. Your factory should take appropriate remedial action based on such reporting.
3.8 RemEDIATE misconduct – your factory should ensure processes in place to investigate cases of alleged bribery and for appropriate action to be taken following the results of the investigation.

3.9 State out in the policy regarding the disciplinary consequence to any violation of the Business Ethics Program.

4 Acquaintance with Policies and Processes

Subsequent to the establishment of proper procedures, getting staff familiarize with the rules and providing clear operational guidelines for them is crucial. Here are the areas that should be featured when educating staff around bribery policies.

Practical Guide for Factory:

4.1 Integrity training and refresher training should be hosted at least once a year for all employees at the supervisor level and/or above, and the persons in high-risk roles.

4.2 The training should include highlight of the company’s position that it does not tolerate corruption, its anti-corruption policies to ensure compliance with the requirements, the consequences for employees of violations, and guidance for employees to get help.

4.3 Integrity training should be provided for new or transitioning staff within 1 month upon employment.

4.4 Training should last no less than 1 hour, and should be in classroom format that all relevant staff must attend in person. Attendance and training activities must be video recorded and filed properly.

4.5 Attendee will be required to pass a short test at the end of the training. Staff who fails the test must retake the training in that particular training cycle, and must pass the test.

4.6 Put up posters (in A3 size or larger) in conspicuous spaces within the company (including but not limited to the areas of production, office and attendance facilities) underlining the consequences of violation against the company’s bribery rules, and highlighting the internal grievance channel as well as the reporting contact of ICTI Ethical Toy Program.

5 Apply Continuous Monitoring System
Monitor and review your company’s anti-corruption on an ongoing basis. Implement specific anti-corruption audit periodically. They send a message that the senior management is committed to compliance and that they are checking to make sure compliance is achieved. Appropriate follow-up and disciplinary action are crucial to creating an anti-corruption culture.

**Practical Guide for Factory:**

5.1 The Integrity risk assessment should be carried out on regular basis to identify whether new risks or hidden issues arose.

5.2 Conduct surprised anti-corruption audits (e.g. financial audits; procurement contracts review); yet specific ethics investigation on claims/complaints should be stand alone and should not be integrated with a larger set of procedures.

5.3 Take appropriate actions to minimize the risk/hazards found. All actions taken should be recorded and reviewed by the top management.

Please contact ICTI Ethical Toy Program’s Integrity & Sustainability Team (integrity@ethicaltoyprogram.org) for further consultation and support during your journey to building a robust anti-corruption program for your company.