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## **Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act**

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# **1 The Significance of an Internal Reporting System**

## **1.1 The Significance of an Internal Reporting System for Business Operators**

The introduction, maintenance and operation of an effective internal reporting system by business operators in accordance with the Whistleblower Protection Act improves the self-cleansing actions of organizations and contributes to the promotion of compliance management. In addition, it is connected with the improvement of corporate values and the sustainable development of business operators by gaining the trust of stakeholders such as consumers, trading partners, employees, shareholders and investors, lenders, and the local community.

In addition, business operators providing high-quality, safe products and services through risk management that proactively leverages an internal reporting system, is also important in terms of securing the interests of the overall societal economy and in fulfilling the societal responsibility of the company.

## **1.2 Responsibilities of the Top Management**

Nurturing a fair and highly transparent organizational culture and demonstrating a healthy ability of the organization to cleanse itself requires not only the simple introduction of a means for reporting but also for the top management themselves to continually send a clear message to all employees regarding the following matters:

- The significance and importance of an internal reporting system in promoting compliance management
- That appropriate reporting using the internal reporting system is a legitimate work obligation that facilitates the early detection of risks and improving corporate values
- That the unfavorable treatment of those making appropriate reports satisfying the requirements of internal rules and the Whistleblower Protection Act will never be tolerated
- That confidential information regarding reports should be carefully protected
- That corporate ethics should be prioritized when the pursuit of interests and corporate ethics are in opposition
- That the above items affect the development and existence of the company.

## **1.3 The Objectives and Character of the Guidelines**

These guidelines reinforce the compliance management initiatives of business operators in accordance with the Whistleblower Protection Act, specify and clarify items which business operators should independently strive for, and show policies for business operators to appropriately handle reports that facilitate early detection and prevention of the violations of laws and regulations by employees to ensure the interests of the overall societal economy.

Furthermore, these guidelines do not hinder appropriate initiatives according to the size or the type of business of each business operator or the further perfection of the introduction, maintenance and operation of means for responding to reports that have already been put in place by business operators.

## **2 Introduction, Maintenance and Operation of an Internal Reporting System**

### **2.1 Establishing an Internal Reporting System**

#### **2.1.1 Establishing a Means for Responding to Reports**

##### *a Establishing Systems*

- In order to properly conduct investigations and corrective measures from the receipt of whistle-blowings and formulate corrective measures to prevent recurrence, it is necessary that the upper management shall be responsible for establishing a mechanism to handle reports across departments and to appropriately operate.

In addition, it is appropriate to document the roles of the upper management in internal rules.

##### *b Establishing a Point of Contact for Reports*

- Clearly stipulating a point of contact for reports and the method they are received requires sufficient and continual notification of such to the management and all employees.

##### *c Elaborating the Points of Contact for Reports*

- When establishing a point of contact for reports, it is appropriate to take the following measures, and for efforts to be made to expand opportunities in order to understand the information pertaining to managerial risks.

- Establishing a point of contact outside of the organization through a contract with a law office or private professional organization (in the case of small- and medium-sized businesses, it could also take into consideration that multiple companies may cooperate in this type of outsourcing)
- Designating a labor union as a point of contact for reporting
- Establishing a centralized point of contact for company groups
- Establishing a common point of contact for related business operators, such as industry groups or unions within the same industry

- In addition, upon confirming the contents of the report as well as the scope and level of protection for the personal information of the reporting, the existing points of contact for reports may be enhanced and used as necessary.

##### *d Improving the Effectiveness of Related Business Operators As a Whole*

- In order to promote compliance management in the overall corporate group or supply chain, it is appropriate to provide advice and support as necessary to develop internal reporting systems that include related companies, and periodically evaluate the conditions of the internal reporting systems in related companies.

##### *e Expanding the Scope of Users of the Points of Contact for Reports*

- Along with promoting compliance management, to increase opportunities for the early

comprehension of information pertaining to managerial risks, it is appropriate to broadly establish the following matters regarding the scope of users for the point of contact and matters subject to reporting.

- User Scope of the contact point for reports: Employees (including contract employees, part-timers, temporary workers, and dispatch employees) as well as executives, employees of subsidiaries or trading partners, and retirees
- Scope of items subject to reporting: violations of internal rules in addition to violations of laws and regulations

#### *f Establishing Internal Rules*

- Rules for responding to reports must be set forth in internal rules, and the employment of informers and the banning of disadvantageous treatment, as well as the careful maintenance of the confidentiality of the whistleblowers, shall be clearly set out in those rules.

### 2.1.2 Reporting Routes Independent from Upper Management

- In order to strive for vigorous compliance management, in addition to having a means of responding to reports from ordinary routes, it is appropriate to establish mechanisms that are independent from upper management; for example, having a direct report route to external directors or auditors, and investigating and taking corrective actions independently from upper management.

### 2.1.3 Eliminating Conflicts of Interest

- Ensuring the trustworthiness and effectiveness of an internal reporting system requires a person in charge of receiving reports, one in charge of investigating reports, one who responds to reports, as well as a person being reported (referring to a person who is violating, has violated, or is attempting to violate the laws or regulations and is reported for doing so. Hereinafter referred to in the same way). Such individuals shall not take part in investigations or corrective measures of reports related to themselves.
- In addition, if outsourcing work such as receiving reports, or investigating the facts pertaining to reports, the use of law offices or private professional organizations that may raise doubts as to their neutrality or impartiality or create conflicts of interest must be avoided.

### 2.1.4 Maintaining an Environment in Which Reports can be Made with Peace of Mind

#### *a Reflecting the Opinions of Employees*

- When maintaining or operating an internal reporting system, an effective system must be created in which employees can have peace of mind when reporting, by means of reflecting the opinions of employees and referencing the good practices of other business operators.

#### *b Maintaining the Environment*

- When managing the points of contact for reports, an easy-to-use environment that has few barriers must be maintained so that information pertaining to managerial risks can be contributed as quickly and broadly as possible.

- Questions and consultations regarding the means for dealing with the reports of business operators or protecting whistleblowers must be responded to for resolving any doubts or concerns of the users of the contact points for reporting.

Depending on the circumstances of the business operator responding to consultations, it may be possible to deal with those at a centralized point of contact for reports.

- Trust in the effectiveness of the system must be enhanced by disclosing an overview of the operational performance of the internal reporting system to employees (number of reports made, results, etc.) while displaying sufficient consideration for personal information.

#### *c Raising Awareness of the Systems*

- In addition to the importance of compliance management and a means for responding to reports, the internal communications for management and all employees must be done using internal communications, newsletters, e-mail, and internal bulletin boards or handheld flyers and periodically holding trainings and briefing sessions regarding the Whistleblower Protection Act to sufficiently and continually raise awareness among and train employees. Similarly, sufficiently and continually raising awareness of (as well as conducting training on) these guidelines is ideal.

#### *d Creating a Highly Transparent Workplace Environment*

- Along with the establishment, maintenance and operation of an effective internal reporting system, it is important to create a transparent workplace environment such that appropriate responses in the event of reports or consultations from subordinates can be conducted by workplace managers who are direct or indirect superiors.
- Establishing and operating a effective internal reporting system produce organizations to have an appropriate level of tension and a self-cleansing function through regular routes for reporting, contact, and consultation. Internal PR activities are necessary so that management and all employees to be sufficiently made aware of how an effective internal reporting system can facilitate the healthy operation of the organization.

## 2.2 Receiving Reports

### *a Notification of Receipt of Reports*

- Ideally, the whistleblower should be promptly informed in writing of the receipt of a report if the whistleblower made a report in writing, e-mail, or another method where the report's receipt cannot be confirmed by them. However, this does not apply should the informer not desire to receive such a notification, or in the event it is difficult to notify the informer because of the anonymous nature of the report or for other unavoidable reasons.

### *b Examining Report Contents*

- If a report is received, efforts must be made to openly, impartially, and sincerely examine the necessity of an investigation, and there must be an effort to notify the whistleblower regarding further responses.

## **2.3 Investigative and Corrective Measures**

### **2.3.1 Ensuring the Effectiveness of Investigative and Corrective Measures**

#### *a Systemic Improvements for Investigative and Corrective Measures*

- In order to ensure the effectiveness of investigative and corrective measures, investigative authority and independence must be granted internally to the department in charge, along with providing it with the requisite staff and budget.

#### *b Cooperation with Investigations*

- Internal rules shall clearly state that employees must sincerely cooperate with investigations conducted by departments responsible for doing so and that employees must not impede investigations.

#### *c Reporting and Corrective Measures*

- If the results of an investigation did identify violations of laws or regulations, corrective and preventive measures shall be quickly implemented, along with appropriate response including internal actions against those involved as necessary. Furthermore, reports must be made to relevant government agencies if necessary.

#### *d Third-Party Verification and Inspection*

- In order to ensure the effectiveness of investigative and corrective measures responding to reports, it is ideal that business operators receive independent verification by a neutral and impartial third party.

#### *e Assignment and Training of the Responsible Party*

- In order to operate an effective internal reporting system, it is important for people in charge to improve skills and make fair initiatives regarding responses to the whistleblowers, investigations, fact-finding, corrective measures, preventive measures, due process, information management and employee training. Therefore, it is necessary to staff who have the required abilities and aptitudes, and provide them sufficient education and training.
- When considering the motivations and morale of the people in charge who support the management of an internal reporting system, it is appropriate to proactively evaluate the contributions of these people regarding the promotion of compliance management.

### **2.3.2 Notifications of Investigative and Corrective measures**

#### *a Notifications Pertaining to Investigations*

- During investigations, the trust, honor, privacy, etc. of those being reported and those who cooperated with said investigation (hereinafter referred to as "Investigation Cooperators") should be considered.

In addition to notifying the whistleblower of the situation of investigations during investigations if appropriate, in the end the results of an investigation must be summarized as quickly as possible and the whistleblower notified of the same.

*b Notifications Pertaining to Corrective Measures*

- After corrective measures are complete, the trust, honor, privacy, etc. of the person(s) being reported and Investigation Cooperators should be considered, and there must be an effort to notify the whistleblower of the results of those corrective measures as quickly as possible.

*c Fair Assessments of Whistleblowers*

- It is appropriate to fairly evaluate the contributions by whistleblowers and Investigation Cooperators (hereinafter collectively referred to as “Whistleblowers, Etc.”) , for example, by expressing gratitude from the top management if their cooperation has contributed to promote compliance management.

Furthermore, sufficient care must be given when doing so to ensure the confidentiality of Whistleblowers, Etc., for example, by conveying the gratitude through the point of contact for reporting.

## **3 Protecting Whistleblowers**

### **3.1 Carefully Maintaining the Confidentiality Pertaining to Reports**

#### **3.1.1 The Importance of Maintaining Confidentiality**

- Leaking the departmental affiliation, name, or other information regarding the whistleblower within the workplace is absolutely against the best interest of the whistleblower, as doing so may lead to poor treatment. In addition, this lack of confidentiality damages trust in the internal reporting system and delays the grasping of information pertaining to managerial risk.

Thus, it is important to carefully maintain the confidentiality of reports by taking the following measures.

- Limit information sharing to the minimum required scope
  - Information such as the departmental affiliation, name, or applicable incident that are clues that could lead to the identification of the whistleblower shall not be disclosed outside the permissible scope of information sharing without the permission of the whistleblower in e-mail or writing
  - When obtaining the permission of the whistleblower, the potential disadvantages of disclosing objectives, scope, names, and so on shall be clearly explained
  - It shall be clarified that no one should explore whistleblowers
  - The management and all employees shall be made thoroughly aware of these items.
- If it is truly necessary to convey information that may lead to the identification of a whistleblower to the management or Investigation Cooperators in order to take effective investigative or corrective measures, in addition to obtaining the consent of the whistleblower regarding the above, taking the following measures is necessary:
    - Limiting those being informed to the minimum number required
    - Pledging those being informed to maintain confidentiality before they are informed
    - Providing warnings to the effect that leaking said information is subject to disciplinary actions

#### **3.1.2 Use of External Points of Contact**

##### *a Establishing External Points of Contact*

- Along with ensuring the confidentiality of whistleblowers, it is appropriate that external points of contact for reporting (for example, law offices or private professional organizations) should be maintained as much as possible to provide greater opportunities for grasping information related to managerial risks.

##### *b Maintaining the Confidentiality of Those in Charge of External Points of Contact*

- The following measures must be taken to protect confidentiality pertaining to reports:
  - Clearly stating that confidentiality shall be carefully maintained by those in charge of

external points of contact

- Ensuring that information that may possibly lead to identifying a whistleblower is not disclosed to business operators or others except where the whistleblower grants consent for disclosure in writing or e-mail

*c Evaluation and Improvement of External Points of Contact*

- Regarding the operating conditions of the external points of contact, the following should be done periodically to ensure their trustworthiness and quality:
  - Inspection by neutral and impartial third parties
  - Corporate compliance surveys on an anonymous basis involving all employeesNecessary measures should be taken once areas for improvement are identified and understood.

### 3.1.3 Maintaining Confidentiality in Receiving Reports

*a Protecting Personal Information*

- There are various ways reports may be received: telephone, fax, e-mail, websites, etc. However, reports shall be received through appropriate measures such as setting up a dedicated line, and meeting in separate rooms or outside of offices during non-business hours so that the confidentiality of whistleblowers must be protected.
- In addition, personal information must be carefully protected by taking the following measures.
  - Restricting access to records and documents pertaining to reported incidents to the minimum number of people possible
  - Keeping records and documents pertaining to reports secured under lock and key
  - Replacing proper nouns of related persons or organizations to fictitious names
- Moreover, if managing digital data regarding reports, personal information should be protected through the following types of information security measures.
  - Restricting the access to said information to the minimum number of people possible
  - Recording logs of usage and viewing

*b Information Management by Whistleblowers Themselves*

- Whistleblowers themselves should be made to sufficiently understand the importance of information security pertaining to their being whistleblowers in order to prevent identifying them as whistleblowers through their own information leaks.

*c Ensuring the Effectiveness of Receiving Anonymous Reports*

- Reports must be received anonymously to ensure the effectiveness of responses to reports and to carefully protect personal information. When receiving such reports, means should be implemented whereby information is conveyed bi-directionally between whistleblowers and points of contact for reporting, even if the reports are anonymous.

### 3.1.4 Maintaining Confidentiality in Investigations

#### *a Investigations and Protecting Personal Information*

- In order to maintain the confidentiality of whistleblowers during investigations, the investigation methods should be duly considered so that whistleblowers are not identified by not sharing information unless it is absolutely necessary to share information that may lead to the identification of the whistleblower.
  
- In order to make difficult to identify whistleblowers, the following measures must be taken
  - Conducting the investigation together with periodic audits
  - For camouflage, pretending to be random investigations not based on special grounds
  - Conducting a dummy investigation that involves an organization other than the one involved
  - Starting by investigating areas tangential to the central matter of interest
  - Regularly and anonymously surveying all employees regarding the status of compliance within an organization

## 3.2 Prohibition of Disadvantageous Treatment Such as Dismissal

#### *a Prohibition of Dismissal and Other Forms of Disadvantageous Treatment*

- Whistleblowers and Investigation Cooperators must not be dismissed or otherwise treated disadvantageously, in the case of their reports and cooperation based on the reports that satisfy the requirements of internal rules or the Whistleblower Protection Act.
  
- Specifics regarding other disadvantageous treatment mentioned in the previous paragraph include the following matters.
  - Employee's loss of status (forcible submission of resignation letter, refusal to renew work contract, refusal of current employment or re-employment, forcible time off, etc.)
  - Personnel measures (demotion, disadvantageous transfer, secondment, orders for transfer of employment or long-term postings, disadvantageous treatment in advancements or promotions, punishments, etc.)
  - Economic compensation (reduction in wages or other disadvantageous treatment in lump sum payment or retirement income, demands for compensation, etc.)
  - Mental or physical treatment (actual harassment, etc.)
  
- Appropriate measures for relief and recovery must be taken if it is found that a whistleblower was terminated or received other disadvantageous treatment because of his making a report.

#### *b Measures for Violators*

- Those who caused disadvantageous treatment against a whistleblower as a reason of a report being made must face disciplinary actions, or other appropriate measures must be taken.

In addition, the same measures must apply to those who leaked confidential information

regarding reports or those who informed others regarding detailed personal information obtained through reporting or used such information for unlawful purposes.

*c Preventive Measures to Protect Whistleblowers*

- If individuals being subject of a whistleblowing possibly learn of the existence of whistleblowers and investigation-cooperators, business operators should forewarn the said individuals of the abovementioned items and take other appropriate measures in order to definitely protect whistleblowers and investigation-cooperators.

### 3.3 Reduction and Exemption from Punishments for Those Who Voluntarily Reported Themselves

- To grasp information about the violations of laws and regulations as quickly as possible and promote compliance management, a mechanism must be maintained to, depending on the circumstances, reduce or exempt disciplinary actions for those involved in the violations of laws and regulations if those individuals enabled the early detection and resolution of issues by voluntarily reporting or cooperating with investigations.

## 4 Evaluations and Improvement

### 4.1 Follow-Up

#### *a Follow-Up Pertaining to Whistleblowers*

- Sufficient follow-up for whistleblowers and investigation cooperators must be done to protect them and confirm that they have not been received disadvantageous treatment due to having made a report.

If dismissal or such treatment is found to have occurred during follow-up as a result of the report, the management must take responsibility to see that appropriate measures are taken to provide aid or restitution to the individual.

#### *b Follow-Up Pertaining to Corrective Measures*

- Following corrective measures, in addition to confirming that these corrective or preventive measures are functioning properly such that violations of laws and regulations are not reoccurring, improving the means of responding to reports and new corrective or preventive measures shall be taken as necessary.

#### *c Follow-Up Pertaining to Group Companies, Etc.*

- If a business operator has received reports and if the whistleblowers and investigation cooperators are employees of an affiliated company or trading partner, it is ideal that the business operator should take all due care to maintain the confidentiality of the report, and conduct follow-ups with them and other necessary measures in order to ensure that they are not receiving disadvantageous treatment.

In addition, a business operator should take other necessary measures, in order to confirm that corrective and preventive measures are functioning properly at affiliated companies and trading partners.

### 4.2 Evaluation and Improvement of Internal Reporting Systems

#### *a Assessment and Improvement*

- In order to improve the effectiveness of the internal reporting system, internal audits and objective assessments and inspections shall be performed periodically by neutral and impartial third parties on the following items.
  - Current introduction, maintenance and operating conditions, actual circumstances
  - Effectiveness of internal publicity and training
  - Employee trust in the system
  - Reasons for any items which do not conform to these guidelines
  - Future issues

The management must take responsibility for making continual improvements to the system based on the results of the audits, assessments, and inspections.

#### *b Providing Information to Stakeholders*

- The level of effectiveness of the internal reporting system within each business is tied to

maintaining and improving corporate values by demonstrating the ability of an organization to cleanse itself. Because this information is important to stakeholders such as consumers, trading partners, employees, shareholders and investors, lenders, and the local community, it is important that the results of assessments and inspections of the internal reporting system are actively touted in CSR reports and on websites.