

Governance for Addressing Misconduct in Global Business

—Risk Control and Disclosure Based on Anti-Corruption Education—

Global Compact Network Japan

GCNJ Collective Action 2030



1. Corporate Governance for a New Era

In today's business environment—particularly in global markets— establishing a new governance system distinct from traditional corporate governance is essential for companies to achieve sustainable growth. Since the 1990s following the collapse of the bubble economy in Japan, the main bank system and cross-shareholding arrangements that had previously underpinned Japanese corporate governance gradually dissolved. Meanwhile, as seen in the 2015 formulation of Japan's Corporate Governance Code, mechanisms for supervising and evaluating companies through the stock market have been rapidly developed in recent years. At the same time, the growing importance of environmental, social, and governance (ESG) issues has led to a demand for a stakeholder-oriented governance system that incorporates the voices of diverse stakeholders, not only shareholders, into decision-making. Against this backdrop, the importance of aiming to create new value for companies, society, and each stakeholder has increased significantly. Such new value is achieved by integrating the diverse demands of stakeholders into the decision-making process without creating contradictions. Amidst diversifying stakeholder demands and the increasing complexity and severity of ESG challenges, strengthening risk management systems is essential for companies to effectively promote responsible management.

Against this backdrop, the Global Compact Network Japan (GCNJ) and the Anti-Bribery Committee Japan (ABCJ) have developed the Tokyo Principles for Strengthening Anti-Corruption Practices and the Anti-Bribery Assessment Tool*01 to support corporate anti-corruption efforts. However, for companies to address these within their limited resources, understanding their current status and challenges is essential. For example, the SDGs Progress Report published by GCNJ and the Institute for Global Environmental Strategies (IGES) indicates that while corporate anti-corruption measures

*01 For details on the Tokyo Principles for Strengthening Anti-Corruption Practices and the Anti-Bribery Assessment Tool, please refer to the GCNJ website.

are seeing progress in top-level commitment and policy development, challenges remain in risk assessment and concrete actions based on assessment results. Specifically, the report points out that risk assessment and management systems for third parties are not sufficiently implemented (Fujino, 2023). However, there are limits to what companies can achieve alone. Therefore, collective action is needed to encourage anti-corruption efforts through inter-company cooperation and to foster a sustainable business environment.

Particularly in emerging and developing countries where businesses operate, corruption remains rampant. At the same time, legal frameworks are advancing in these nations, compelling companies to strengthen their compliance systems. In this environment, if problems were to arise due to delayed or inadequate system development, the consequences could be immeasurable. If improper relationships (bribery-graft relationships) between companies and local public officials were to persist unchecked, they would further accelerate the spread of corruption within that country. This not only threatens the rule of law in that nation but also has adverse effects on the international community through global supply chains. Furthermore, it would create uncertainty in the business community. If such a situation worsens, it could trigger systemic risk in securities markets. Needless to say, companies involved in corrupt practices face not only substantial penalties, namely legal sanctions, but also social sanctions in the form of loss of trust by stakeholders. Thus, corporate involvement in corrupt practices has negative repercussions extending beyond the individual company to the host society and the global community. Therefore, when establishing anti-corruption frameworks, it is crucial for companies to first fully comprehend the negative impacts of corruption and strongly recognize their responsibility as members of the global community. Building upon this, it is essential to accurately identify risks from the earliest stages and establish and operate management systems to control them appropriately.

When implementing risk management, it is also necessary to bear in mind that it may, in some cases, constitute a human rights violation. As already mentioned, inappropriate relationships between companies and officials in host governments (bribery-graft relationships) threaten the rule of law in the country and community concerned. Viewed from another perspective, this can also be seen as a threat to the fundamental human rights of citizens living in that country and community. Furthermore, corporate bribery carries the potential and risk of creating human rights issues within the organization itself, depending on the circumstances. For example, cases where employees are compelled to engage in bribery, an act of wrongdoing, against their will due to instructions from superiors, or where the home country headquarters attempts to resolve matters by shifting all responsibility onto the local business unit head, may not immediately constitute human rights violations. However, they inevitably cause psychological distress to those involved.

In this way, viewing anti-corruption not as an isolated issue but through the broader lens of human rights will lead to revising risk management systems to make them more effective. In this regard,

the Tokyo Principles for Strengthening Anti-Corruption Practices require companies to enhance transparent information disclosure and effective third-party risk management. These practices are not merely for avoiding risks to the company itself, but also contribute to building trust with stakeholders and fostering governance practices that respect their human rights. For example, when companies and investors collaborate to strengthen social solidarity through collective action, it simultaneously curbs corruption (by respecting the rule of law in host communities and protecting the fundamental human rights of local citizens), safeguards the human rights of employees and local managers, and ultimately enhances long-term corporate value. While anti-corruption efforts do not guarantee corporate success, conversely, companies cannot achieve success in global business without effective anti-corruption practices.

However, it is not sufficient to merely implement effective measures company-wide. As is well known, recent years have seen an intensifying demand for companies to disclose information across a broad range of areas. To fulfill their accountability, companies must proactively communicate their initiatives both internally and externally. Furthermore, anti-corruption efforts cannot be confined to a few stakeholders at the company's home country headquarters. It is crucial to collaborate with managers and employees at business locations and provide appropriate education and training.

From this perspective, this paper discusses how to strengthen risk control and disclosure for corruption prevention through educational training, while clarifying the allocation of responsibility between managers and employees at business sites. Because effective corruption prevention depends on cooperation on the ground, it is essential to enhance training so that each employee can properly recognize risks and respond appropriately. Moreover, the knowledge and information accumulated internally through such training can be used not only to strengthen internal controls but also to support transparent external disclosure. This is the intention behind the three keywords in the subtitle: “education,” “risk control,” and “disclosure.” The sections that follow briefly outline the risks of corrupt practices and then provide an overview of the educational training tool. Adopting this integrated approach, the paper presents practical measures for corruption prevention and also considers frameworks for collaboration among companies, investors, and other stakeholders towards building a sustainable society.



2. Risks of Corrupt Practices

To discuss corporate anti-corruption activities from a risk management perspective, we must first clearly define corrupt practices. In this paper, we adopt a broader definition of corrupt practices than conventional approaches (Figure 1). Typically, the definition of corrupt practices is narrowly focused on bribery and graft, while a broader definition includes misconduct such as embezzlement and conflicts of interest. This paper further defines collusive bidding/cartels and accounting fraud as forms of corruption. Based on this definition, we will examine the steps in the progression of corruption risk using bribery as an example.

Figure 1: Definition of Corrupt Practices

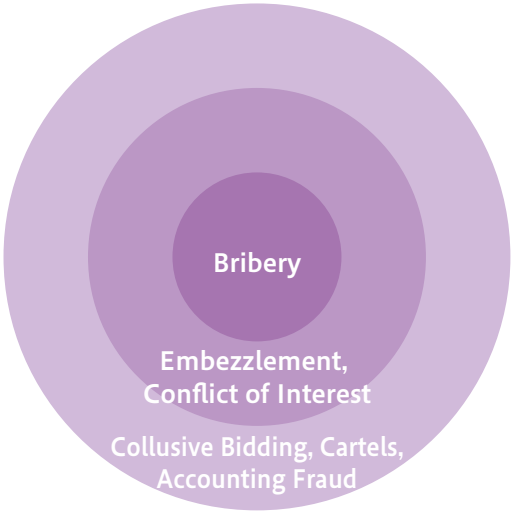


Figure 2 categorizes the risks and losses arising from corrupt practices into “before detection” and “after detection” of the misconduct. The economic and social losses incurred by a company due to involvement in corrupt practices become fully apparent once the misconduct is exposed to society. However, this does not imply that risks or losses do not materialize as long as the misconduct remains undiscovered. In fact, the opposite is true: the moment a company becomes involved in corrupt practices, it assumes multiple risks and may incur significant economic losses. Therefore, we first focus on the left side of Figure 2 to examine the losses incurred by a company due to involvement in corrupt practices (before detection) from four perspectives: “Fostering Corruption,” “Chain of Misconduct,” “Chain of Demands,” and “Human Rights Violations.”

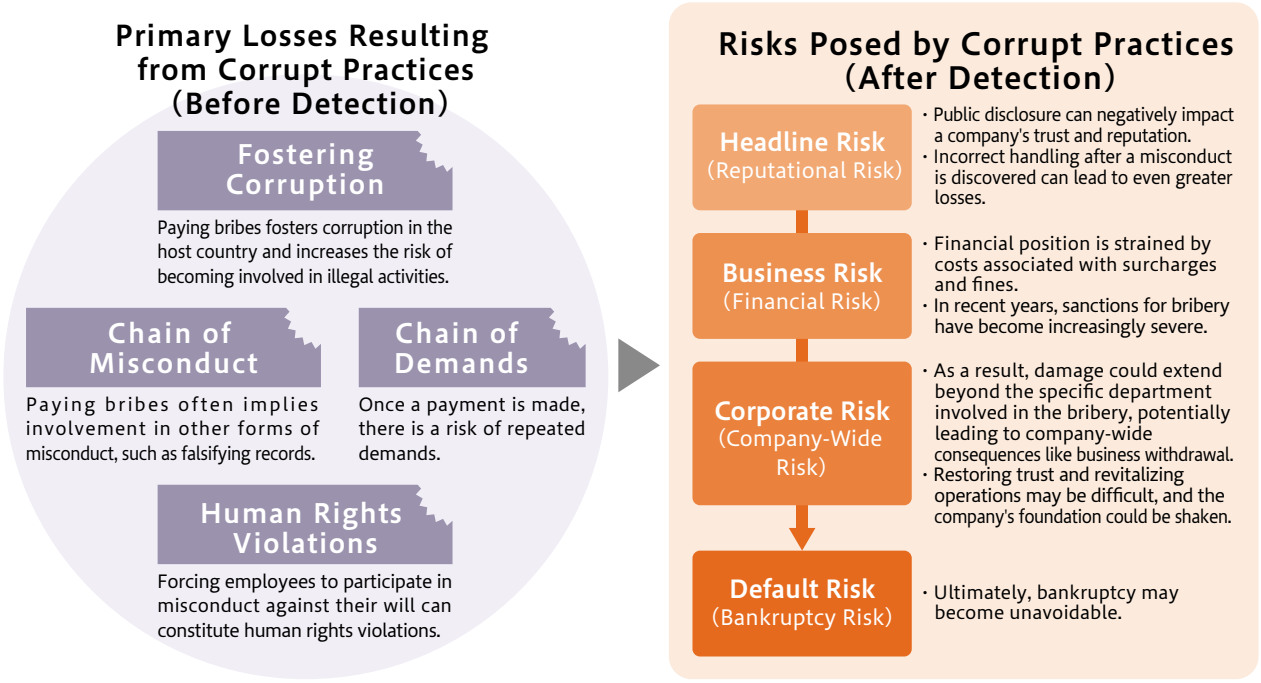
First, “Fostering Corruption” refers to the phenomenon where aiding corrupt acts reinforces the structure of corruption within a country or region. When a company pays bribes to local public officials, it not only provides temporary benefits to those officials but also fosters unfair and inequitable business practices where the bribe-paying company receives preferential treatment. If such practices permeate all administrative procedures, corruption risks spreading across every sphere of government and administrative organizations, and potentially lead to the erosion of the rule of law. By paying bribes, companies distort the business practices of that country or region, and effectively create an environment where business cannot function without bribery.

It is conceivable that companies might justify such payments to themselves, thinking, “It's no big matter to do it just this once,” or “This one-time payment will not cause any major problems.” However, it is crucial to recognize that when a company agrees to bribery, it must engage in multiple acts of wrongdoing to complete the transaction. To make an unofficial bribe payment, the company must falsify its accounting and, in some cases, may be forced to systematically conceal this activity. A single act of bribery can thus lead to a “Chain of Misconduct.”

Furthermore, when a company agrees to pay a bribe even once, this can give local officials the impression that “this company will comply with further demands.” A past act of bribery could then be used as leverage to repeatedly pressure the company into meeting further unjust demands. It is entirely plausible that such demands would escalate to larger payments than previously paid. Even if the improper payments remain undisclosed to society, continuing to make large payments while constantly carrying the risk of future exposure represents a significant economic loss for the company. The continuation of such a situation means encouraging certain employees to persist in the misconduct. If this is done against an employee's will, under instructions from superiors, it would cause the employee immense psychological distress.

Thus, regardless of whether the corruption is uncovered, a company's involvement in it carries extremely serious risks and losses. Naturally, if a company's corrupt practices are exposed, the impact and extent of the risk become incomparably greater than before the discovery. Particularly if an initial response is delayed, it could ultimately develop into a severe risk threatening the company's very survival. Therefore, focusing next on the right side of Figure 2, we organize the process by which risks escalate into four distinct stages.

Figure 2: Risks and Losses Resulting from Corrupt Practices



The first risk to emerge is “headline risk.” This refers to the stage where allegations (or confirmed facts) of misconduct are reported, causing a temporary decline in the company's brand image or stock price, and where signs of the problem become apparent within the company. At this point, the company is expected to promptly investigate the facts and explain the situation to stakeholders as early as possible. Even if the allegations of misconduct prove true, a swift and sincere response can minimize the headline risk. However, if the misconduct is confirmed, “business risk” cannot be avoided. This means sanctions such as fines or business suspension orders from government or regulatory authorities may be imposed. Depending on the circumstances, this could also lead to the company's deteriorating financial health or prolonged stock price weakness. At this stage, companies are expected to respond with the same speed and sincerity as they would to headline risk. For example, cooperating with regulatory investigations may result in lighter penalties, potentially avoiding worst-case scenarios like deteriorating financial health or prolonged stock price slumps. Conversely, if a company prioritizes self-preservation by concealing the misconduct or neglecting to implement thorough recurrence prevention measures, it will face severe fines without leniency and lose its social credibility. In more severe cases, this can escalate to business partners terminating contracts or investors divesting, with the impact spreading beyond specific business units to become a company-wide issue. This is termed “corporate risk” in this paper. Even financially robust companies can find it difficult to regain trust once it is lost, and ultimately, the possibility of “default risk,” such as failure to meet debt obligations or, in the worst case, bankruptcy, cannot be ruled out.



3. Designing Educational Training

To effectively address the risk of corrupt practices, it is essential to recognize deficiencies in the compliance framework during normal times and implement timely, systematic countermeasures. To achieve this, it is desirable to approach corruption prevention from a governance perspective, enabling different stakeholders to collaborate and address risks from multiple viewpoints. It is particularly crucial for the three parties — management, front line personnel, and investors — to recognize that corrupt practices pose an extremely high risk and to cooperate with each other to enhance the effectiveness of company-wide risk control. Specifically, implementing appropriate education and training can improve the awareness and knowledge of employees, management, and third parties regarding corruption prevention. Furthermore, using the responses obtained from this training to gather risk information related to corruption prevention can also strengthen risk management.

This paper focuses on the individuals potentially involved in corrupt practices, specifically targeting executives, department heads, employees, and third parties*02, and outlines the mechanisms leading to the occurrence of corruption. Specifically, it designs education and training based on the "Model of Ethical Decision Making in Organizations." This approach goes beyond merely educating the target audience to identify the location and severity of corruption risks. By doing so, it proposes means to achieve effective risk control and detailed information disclosure for investors.

Regarding the ethical decision-making of individuals within organizations*03, numerous studies have been conducted to date. The mechanism is generally understood as a four-stage process based on

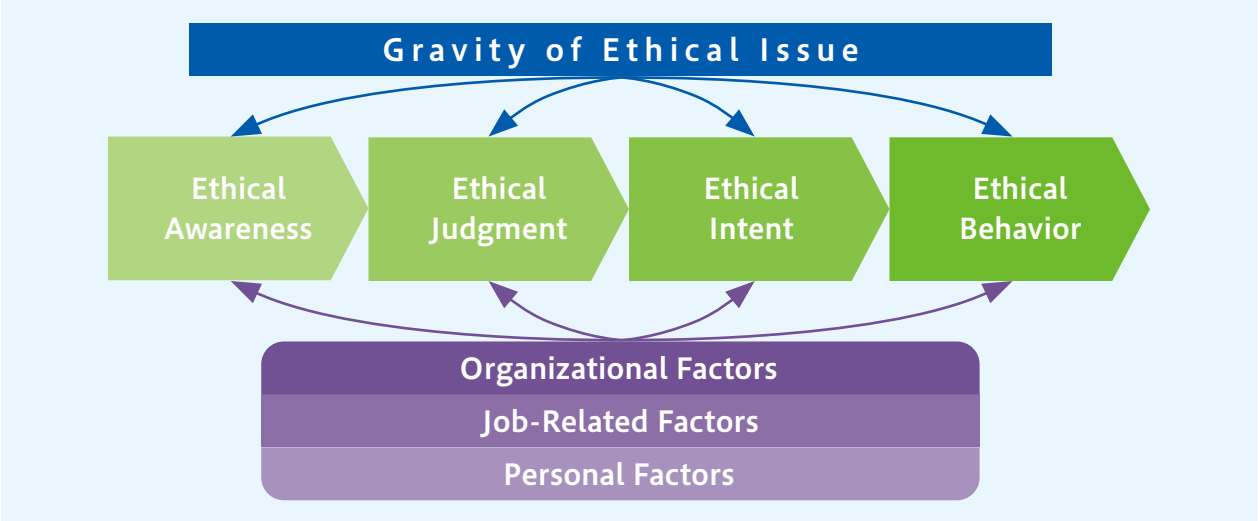
*02 Management refers to "headquarters management (officers such as directors and auditors)"; department heads refer to "heads of headquarters departments (such as department managers) and heads of domestic and overseas locations (such as presidents of local subsidiaries)"; employees refer to "general employees at both domestic and overseas locations"; third parties refer to "external consultants, intermediaries, etc., who become involved in the process of responding to improper demands by public officials or business partners."

*03 Ethical decision is defined as a decision that is both legal and morally acceptable to the larger community (Jones, 1991). For example, if an employee's decision within a company is legally and ethically acceptable within the larger community of the nation or society, that decision can be considered an ethical decision.

the model proposed by Rest (1986): ① moral awareness, ② moral judgment, ③ moral intention, and ④ moral behavior (Nakano, 2004, p.17). In the first stage, moral awareness, the individual recognizes the issue as an ethical matter and understands the impact of their actions on others. In the second stage, moral judgment, the individual selects the most ethical course of action from multiple options. In the third stage, moral intention, the individual decides on specific actions while weighing ethical values against other value criteria. In the fourth stage, moral behavior, the individual takes concrete actions based on the decisions made in the awareness, judgment, and intention stages.

Previous research indicates that diverse factors influence the ethical decision-making process. These factors are broadly categorized into four types: "personal factors," "job-related factors," "organizational factors," and "the gravity of the ethical issue." Personal factors include gender, age, education level, nationality, faith, individual traits and values, and the maturity of one's moral sense. Job-related factors refer to job-specific influences such as deadlines and cost constraints, sales targets, quotas, industry practices, business customs, and professional ethics. Organizational factors encompass institutional elements like organizational structure, authority relationships, and ethical norms, as well as informal aspects such as organizational culture and climate. The gravity of the ethical issue implies that the severity of the problem alters decision-making approaches and is considered a significant factor influencing each stage of ethical decision-making. Summarizing the above, the overall framework of the individual ethical decision-making model within an organization can be illustrated as Figure 3. *04

Figure 3: Individual Ethical Decision-Making Model in Organizations



Source: Adapted from Jones (1991), Trevino (1986), Nakano (2002), and Nakano (2004).

*04 In recent years, research in the field of behavioral ethics has also flourished to overcome the limitations of ethical decision-making models (Mizumura, 2022, p.231). While ethical decision-making models assume human actions are consciously determined, behavioral ethics posits that real humans act under "bounded ethicality," meaning even sincere individuals can unconsciously engage in unethical behavior. That is, in actual practice, individuals may be so preoccupied with addressing various problems that "they fail to recognize ethical issues," "they cannot logically arrive at ethical judgments," or "they cannot decide on actions with ethical intent." Therefore, behavioral ethics focuses on psychological biases influencing human behavior and explores methods to prevent unethical behaviors (Bazerman & Tenbrunsel, 2011). The educational training provided in this paper differs from actual decision-making as pointed out by behavioral ethics, since participants are not facing real-world problems and are less influenced by biases. In other words, in an educational setting, participants are in a situation where they can more easily make conscious and logical desirable choices. Nevertheless, given the insufficient implementation of risk assessment by Japanese companies, educational training based on ethical decision-making models can serve as an effective tool for understanding the current state of both explicit and latent risks associated with corrupt practices, even if the educational training differs from real-world situations.



4. Anti-Corruption Educational Training

Anti-corruption educational training is conducted in a test format using fictional cases to enhance knowledge and awareness of corruption prevention among executives, department heads, employees, and third parties according to their respective positions and roles. Participants read the case materials, select one option from the provided choices, and further select their reasoning for that choice. Cases are primarily based on three types of corrupt practices: bribery, conflicts of interest, and cartels (accounting fraud is incorporated into the cases not as an independent corrupt practice, but as something that occurs concurrently with the above three). For these cases, questions are provided based on an ethical decision-making model, structured in four stages: ① Moral Awareness, ② Moral Judgment, ③ Moral Intent, and ④ Moral Behavior.

For each stage, two responses are required: a "risk-level-based answer" and a "reason-based answer." First, based on risk level, select either a "high-risk answer" (a response susceptible to the impact of risks from the corrupt act) or a "low-risk answer" (a response less susceptible to the impact of risks from the corrupt act). Then, they must state the reason for selecting that response. Reason-based responses are structured around three factors influencing ethical decision-making: personal factors, job-related factors, and organizational factors. However, for the fourth stage of ethical behavior, responses are open-ended to capture specific behaviors. Here, using "bribery" as the behavioral type and "employees" as the target group, we present a case, its questions, and explanatory examples.

Figure 4: Design of Anti-Corruption Educational Training

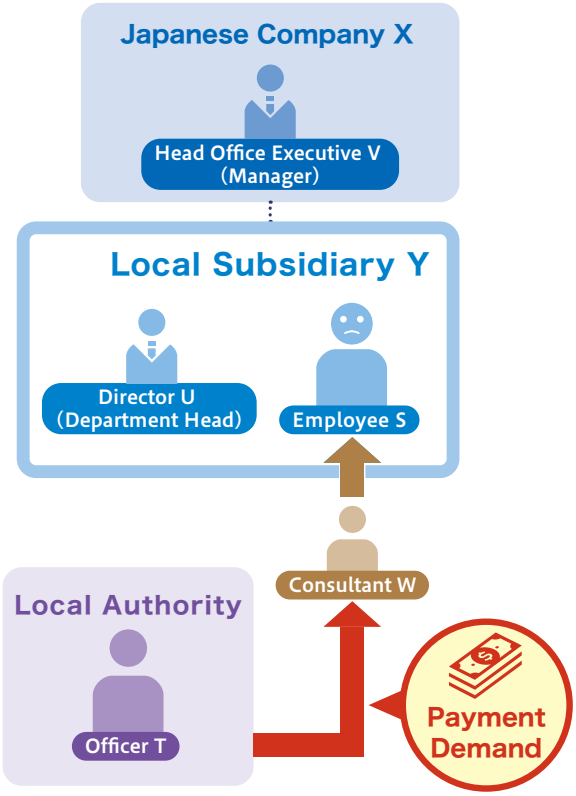
<table>
<tr><th rowspan="2">Target Audience</th><th colspan="3">Corrupt Practices</th></tr>
<tr><td>Bribery</td><td>Conflict of Interest</td><td>Cartels</td></tr>
<tr><td></td><td colspan="3">Accounting Fraud</td></tr>
<tr><td>Executives</td><td colspan="3" rowspan="4">【Ethical Decision-Making】
■ Questions: Moral Awareness, Moral Judgment, Moral Intent, Moral Behavior
■ Responses: High-Risk Responses, Low-Risk Responses
■ Reasons for Responses: Personal Factors, Job-Related Factors, Organizational Factors
* For Ethical Behavior, describe specific actions freely, not reasons.</td></tr>
<tr><td>Department Heads</td></tr>
<tr><td>Employees</td></tr>
<tr><td>Third Parties</td></tr>
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Cases

Our company is Y, the local subsidiary of Japanese company X doing business in Country A, where we are engaged in local construction projects.

Just before starting a project, we received notification from the responsible government agency stating, “We cannot issue the construction permit.” Company Y employee S inquired about the situation with Consultant W, who is knowledgeable about local construction regulations.

According to Consultant W's report, Section Chief T from the local authority demanded an unofficial payment equivalent to 1 million yen as a condition for issuing the construction permit.



Questions and Choices

Question 1 **You are S, an employee of local subsidiary Y. Do you consider making an unofficial payment to officer T problematic? Note that in Y country's business environment, unofficial payment demands by public officials are commonplace.**

High Risk	❶ I don't consider it problematic.	a. Because I don't see any moral issue with an unofficial payment of around 1 million yen.	Personal
		b. Because unofficial payments of around 1 million yen are a common local business practice.	Professional
		c. Because I feel such payments are a standard internal company practice.	Organizational
Low Risk	❷ I do consider it problematic.	a. I feel that an unofficial payment of 1 million yen is an illegal and immoral act.	Personal
		b. I consider an unofficial payment of 1 million yen to be against professional ethics.	Professional
		c. Unofficial payments above a certain amount are prohibited by our company rules.	Organizational

Question 2 **You are S, an employee of local subsidiary Y. Do you want to make the payment as demanded by officer T? At this point, there is no prospect of the construction permit being issued unless the payment is made.**

High Risk	❶ I want to make the payment.	a. Because I cannot obtain the construction permit without paying.	Personal
		b. Because making the payment is the role expected of me to obtain the construction permit.	Professional
		c. Because I have received no instructions from the company regarding the acceptability of unofficial payments.	Organizational
Low Risk	❷ I do not want to make the payment.	a. Because unofficial payments are morally unacceptable, even to obtain a construction permit.	Personal
		b. Because making an unofficial payment to obtain a construction permit violates my professional ethics.	Professional
		c. Because I cannot violate company rules, even to obtain a construction permit.	Organizational

Question 3 **You are S, an employee of local subsidiary Y. Do you feel compelled to make the payment as demanded by officer T? Locally, such payment demands are commonplace, and refusing to pay would likely cause problems like delivery delays.**

High Risk	❶ I feel compelled to make the payment.	a. Because I fear refusing the payment demand will cause trouble.	Personal
		b. Because I cannot meet my own sales targets without making the unofficial payment.	Professional
		c. Because unofficial payments are tolerated within the company, and I have no one to consult about this.	Organizational
Low Risk	❷ I believe the payment is unnecessary.	a. Because I have the moral conviction to refuse payment demands.	Personal
		b. Because refusing payment demands is considered standard practice within the industry.	Professional
		c. Because refusing to participate in corrupt practices is universally recognized as the right thing to do within the company.	Organizational

Question 4 **Regarding the payment to officer T, will you actually proceed with this action? Also, what countermeasures do you think should be taken in such a situation?**

High Risk	❶ Proceed with the action.	Free Response
Low Risk	❷ Do not proceed with the action.	Free Response

Explanation

Personal payments to local authorities may be deemed illegal under domestic and international laws. Domestically, Japan's Penal Code bribery offense (Article 198) may apply. Internationally, Japan's Unfair Competition Prevention Act foreign public officers bribery offense (Article 18) may apply. Even foreign employees may fall under the scope of the Unfair Competition Prevention Act (as amended in 2023) and could face bribery charges under local overseas laws.

Figure 5: Examples of Individual Penalties for Violations of the Unfair Competition Prevention Act

Year of Enforcement	Case Summary	Benefits Provided	Penalty Details
2007	Provision of Improper Benefits to Philippine Public Officials	・Golf club set (worth approximately 800,000 yen)	Two defendants fined 500,000 yen and 200,000 yen respectively (*Prior to 2005 amendment)
2009	Provision of Improper Benefits to Vietnamese Public Officials	・Foreign currency worth approximately 64 million yen ・Foreign currency worth approximately 26 million yen	Four defendants each sentenced to 1 year and 6 months to 2 years and 6 months imprisonment (all with 3 years probation)
2013	Provision of Improper Benefits to Chinese Local Government Officials	・Foreign currency worth approximately 420,000 yen, women's handbag (worth approximately 140,000 yen)	Fine of 500,000 yen
2015	Illegal Benefit Provision Related to Japanese Yen Loan Projects in Indonesia, Vietnam, and Uzbekistan	・Foreign currency and Japanese yen equivalent to approximately 20 million yen total (Indonesia) ・Approx. 70 million yen (Vietnam) ・Foreign currency equivalent to approximately 54.77 million yen (Uzbekistan)	3 years imprisonment (4 years probation) 2 years and 6 months imprisonment (3 years probation) 2 years imprisonment (3 years probation)
2019 2022	Illegal benefit payments to Thai public officials	・Foreign currency worth approximately 39.93 million yen	1 year and 6 months imprisonment (suspended for 3 years) 1 year and 6 months imprisonment (suspended for 3 years) 1 year imprisonment (suspended for 3 years)
2022	Illegal benefit payments to Vietnamese customs officials	・Cash equivalent to 9.8 million yen ・Cash equivalent to 13.8 million yen	1 year imprisonment (suspended for 3 years) 1 year and 6 months imprisonment (suspended for 3 years)

Source: Recent Developments Concerning Bribery of Foreign Public Officials, Ministry of Economy, Trade and Industry Intellectual Property Policy Office (2024), with additions and revisions by the author. (https://www.meti.go.jp/shingikai/sankoshin/chiteki_zaisan/fusei_kyoso/gaikoku_komuin_wg/pdf/009_03_00.pdf)

Therefore, to address the corruption risks arising from bribery, appropriate actions must be taken in four key areas: “Prevention,” “Sharing,” “Recording,” and “Reporting.”

First, it is crucial to rigorously implement measures to prevent informal payments. At the outset of a transaction, clearly communicate a policy against informal payments and provide concrete examples to ensure consultants and client personnel understand this policy. Additionally, require that contracts with clients explicitly include anti-corruption clauses. Including penalties for detected misconduct and conditions for contract termination is effective. Furthermore, when meeting a client for the first time or signing a contract, it is effective to carefully explain the company's strict stance against misconduct and provide materials or seminars to promote understanding.

Next, consider specific countermeasures when faced with requests for informal payments. Do not simply accept such requests from business partners. Instead, immediately share the company's rules with the consultant and clearly state the reasons why informal payments cannot be made based on those rules. At that time, also explain the company's ethical policy and compliance framework, and explore mutually agreeable alternatives. It is also crucial to accurately grasp the details and background of the request and promptly report it to your supervisor.

Furthermore, keeping in mind the possibility that unofficial payments may be unavoidable, it is essential to meticulously document all interactions. Before any payment is made, record who requested it and the reason for the request, then seek your supervisor's judgment based on that information. Accurately document your supervisor's decision and ensure it is available for future reference. Additionally, since these records are expected to serve not only as a history but also to aid in future improvements and prevention measures, it is advisable to consider appropriate formats and storage locations for these records.

Finally, if, despite the above measures and documentation, an unofficial payment becomes unavoidable, organize the background and details and consult with and report to your supervisor again. An example of an unavoidable case might be when refusing payment could potentially lead to danger to life or physical harm. However, even in such instances, it is crucial to clearly explain the necessity of the unofficial payment, the amount involved, the individuals involved, and the process leading to the payment. Therefore, as previously stated, maintaining a record is essential. Also, when consulting or reporting to your supervisor, if you feel their reaction or instructions are inappropriate, or if you receive instructions that actively condone or affirm the unofficial payment without taking appropriate measures during the preceding process, you should promptly consider utilizing your company's internal reporting channel. Additionally, it is advisable to keep in mind the possibility that the company's response after internal reporting may be inadequate, and consider reporting to a third-party organization if necessary.



5. Anti-Corruption Risk Management

By means of the introduction of ethics-based decision-making training, executives, department heads, employees, and third parties can understand their own tendencies toward corrupt practices and learn concrete measures to control risks. While Japanese companies often demonstrate a strong top-level commitment and robust regulatory frameworks, which can lead to a perception of low risk at the awareness and judgment stages, overseas operations in emerging and developing countries may encounter corruption as a normalized business practice. Third parties, in particular, frequently engage in negotiations with public officials and can become sources of corruption risk. Therefore, fostering an appropriate understanding of corruption risks among third parties is crucial. Furthermore, for department heads and executives, gaining an understanding of the background through education is an indispensable element for tackling corruption prevention across the entire organization.

Additionally, utilizing education and training from the perspective of corporate management and governance can yield company-wide results that extend beyond employee awareness, such as strengthening compliance systems and improving the efficiency of information disclosure. This training collects two-stage response data for each behavior type. Based on the first-stage responses, it identifies high and low corruption risks, and this enables action focused on high-risk areas. Also, analyzing the reasoning behind respondents' answers at each stage of ethical decision-making (recognition, judgment, intent) in the second stage allows for identifying the background behind stages with many high-risk responses. This facilitates the development of preventive countermeasures.

Figure 6: Background and Countermeasures for Risks

Target	Stage	Issue	Background	Measures to Take
Employees	Awareness	Unaware that their work relates to corruption risks.	Few opportunities to consider misconduct risks in daily work.	Promote understanding of the company's anti-corruption policy and code of conduct.
	Judgment	Believe that participating in corrupt acts is unavoidable if necessary for business.	Work pressures and local customs create an environment where misconduct is easily tolerated; anti-corruption policies are not thoroughly enforced internally.	Evaluate and strengthen the effectiveness of the company's anti-corruption policy and code of conduct.
	Intent	Unable to refuse misconduct when given implicit or explicit instructions from superiors or clients.	No training on handling dilemmas, and consultation channels are not functioning effectively.	Learn how to refuse improper requests and prepare to report them to the company's internal reporting channels.

Ensuring the effectiveness of top-level commitment and regulations requires all company stakeholders to maintain correct awareness, judgment, and intent, both in routine and emergency situations, and translate these into action. However, even if low-risk responses are chosen at the awareness and judgment stages, if high-risk responses emerge at the intent stage, compliance practices may not be functioning adequately. If this situation worsens, employees may reluctantly engage in corrupt acts under their superior's instructions, or responsibility for business operations may be shifted onto front line staff. Consequently, corruption risks could escalate, potentially leading to the materialization of corporate risks and default risks. Therefore, company management must carefully monitor the entire ethical decision-making process. They should not feel secure merely because something is judged low-risk at the awareness or judgment stage. Instead, they must accurately grasp the risks at the intent and behavior stages and implement appropriate countermeasures.



6. Anti-Corruption Disclosure

Anti-corruption disclosure is a critical means to strengthen corporate compliance systems and build trust with stakeholders. This must be viewed not merely as a regulatory compliance, but as a process for establishing and reinforcing trust relationships with all stakeholders, including management, employees, business partners, and investors. Therefore, the following sections will focus on key elements for effective anti-corruption disclosure: “Top-Level Commitment,” “Anti-Corruption Policy,” “Corruption Risk Assessment,” “Significance of Education and Training,” and “Emergency Response Framework.” While placing particular emphasis on the education and training framework at its core, we will outline approaches for timely and appropriate disclosure.

First, as the starting point for anti-corruption disclosure, corporate management must demonstrate a clear commitment to this issue. To achieve this, top management must first position broad anti-corruption efforts, including bribery, conflicts of interest, and cartel activities, as one of the highest priorities in corporate management and communicate this intent both internally and externally. This aims to raise awareness among employees and other stakeholders about the importance of anti-corruption while establishing an anti-corruption corporate culture across the entire group.

Second, companies must codify their anti-corruption policies and widely disseminate their content both internally and externally. They should first clearly state the purpose of their anti-corruption efforts and indicate that the policy applies broadly not only to employees, directors, and officers, but also to third parties such as suppliers and business partners. Furthermore, specific corrupt practices such as bribery, conflicts of interest, embezzlement, bid-rigging, cartels, and accounting fraud must be defined, and a strict prohibition stance must be demonstrated. It is desirable to justify these prohibitions not only from a legal perspective but also from the standpoint of their company's corporate ethics.

Third, to enhance the effectiveness of an anti-corruption policy, companies must first conduct a risk assessment to objectively understand the magnitude and nature of corruption risks. This assessment should extend beyond employees in high-risk departments to include third parties such as existing and new suppliers and business partners. Utilizing tools like anti-bribery assessment tools to measure company-specific risk classifications and compliance status is effective for this purpose. However, these tools specialize in evaluating organizational structures and are not suitable for identifying decision-making risks applicable to individuals. Therefore, it is desirable to combine assessment tools with educational training tools that observe stakeholder behavior from an ethical decision-making perspective to conduct a more comprehensive risk assessment. Records of collected risk information and assessment results must be maintained and used as a foundation for management decisions and audit responses. This enhances the effectiveness of information disclosure to stakeholders and provides evidence of the company's sincere commitment to anti-corruption efforts in the event of an incident.

Fourth, educational training not only enhances the capabilities of individuals but also enables objective identification of the specific corruption risks faced by companies and individuals through evaluation and analysis of training outcomes, and this in turn strengthens management decision-making. Furthermore, appropriately disclosing the information obtained enables the provision of highly transparent information. Specifically, presenting the status of implemented educational training as concrete action plans to stakeholders deeply involved in governance, such as outside directors and institutional investors, is also desirable for enhancing the effectiveness of corporate risk control.

Finally, ensuring procedures for information disclosure, with contingency planning for corruption-related incidents in mind, is critically important from a corporate defense perspective. When corrupt acts are discovered, companies must respond swiftly and appropriately, and effective coordination by means of rapid information sharing with outside directors and outside auditors is particularly crucial. Outside directors possess perspectives that are distinct from those of internal executives and are positioned to provide valuable insights from consumer and legal viewpoints. However, the independence of outside directors is sometimes criticized as being inadequate in Japan (Higuchi, 2013). Therefore, establishing clear rules for information sharing is essential to ensure channels for rapid communication. Furthermore, strengthening cooperation with investigative authorities and promptly disclosing necessary information can enhance the perception of a company's anti-corruption efforts. Particularly in countries like the United States, which have plea bargain systems involving self-incriminating cooperation, swift and appropriate information sharing can sometimes lead to a reduction in fines. Moreover, accurately disclosing the facts of incidents and measures to prevent recurrence to stakeholders such as investors and banks in order to secure their trust early on is indispensable for preventing risk escalation.

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