



We save companies money by training people to do the right things right.

Why implementing a Sarbanes Oxley compliant ethics program could be the most costly decision you make this year.

Every publicly traded company will be reviewing their ethics program to make sure they comply with the new Sarbanes Oxley Act and subsequent Securities and Exchange regulations. Almost all will find needed revisions. However, is being SOX compliant enough for you? Let Bradley Lambert Inc. help you achieve values in excess of the cost of resources devoted to updating your Code of Ethics.

Here are six potential mistakes we can help you avoid.

1. Simply update the code and find more places to communicate it.

There are many avenues to communicate a company's code of ethics. They include: flyers, posters in break rooms, articles on intranet site, company meetings, payroll stuffers, etc. Don't overwhelm the company with all of them. The solution is to select those options that will bring in the most value. You want employees to only report what is or could be an ethical problem. Therefore, communication must describe to employees and others those behaviors that are not acceptable (and that are acceptable), and how to report them. This will ensure high quality reporting.

2. Implement a hot line without ensuring security.

Encourage employees to use internal communication channels, but let them know they can remain anonymous by using the hotline. The Association of Certified Fraud Examiners found in their 2002 Report that

Sarbanes Oxley Act Section 406 and SEC Regulations Require companies to:

- Disclose annually whether the company has adopted a code of ethics for the company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. If it has not, the company will be required to explain why it has not.
- Disclose on a current basis amendments to, and waivers from, the code of ethics relating to any of those officers.
- Make available to the public a copy of its code of ethics, or portion of the code that applies to the company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.
- Comply with the code of ethics disclosure requirements in their annual reports for fiscal years ending on or after July 15, 2003. They must also comply with the requirements regarding disclosure of amendments to, and waivers from, their ethics codes on or after the date on which they file their first annual report in which the code of ethics disclosure is required.

organizations with a fraud hotline cut their losses by approximately 50 percent per scheme, presumably because the fraud was discovered faster through the hotline tip. Some companies, fearing their employees will not use internal hotlines, are adding a 3rd party hotline to make sure they have given employees every avenue for reporting misconduct to the company, rather than contacting an outside party like a lawyer or the media. Uncovering and dealing with hotline issues before they are exposed in the media can protect the company from the destruction of goodwill in the eyes of investors, customers and other stakeholders. Another value offered by hotlines is to give the company the opportunity to limit liability regarding offenses such as discrimination.

3. Offer information not training.

Educate your people. Many of your employees have never heard of the Sarbanes Oxley Act; they don't know its purpose, or its value. You must explain the code of ethics and you must sell it, because if you don't, you won't get the buy-in and support necessary for success. Education will make it easy for employees to resist the many temptations today's business world offers.

4. Use an answering machine or Web form in place of live call handlers and counselors trained in handling ethical issues.

Keep in mind the objective: you want to help the company gain enough information to be able to investigate the allegation. This requires call handlers and counselors to be able to ask suitable questions, be available anytime and capable of engaging an anonymous caller who typically feels threatened, and in an emotionally charged state. Probing for details is what transforms a tip into an actionable report, and this opportunity is lost without a live call handler. Using professional call handlers will also ensure reports are sent to the right people.

What can we hope to achieve with an Ethics Program?

A Competitive Market Advantage

- There is a direct relationship between fulfilling a company's responsibilities and corporate survival.
- The business ethics initiatives inspire renewed trust and confidence on the part of employees, customers, shareholders and the public.
- Customers and investors cite corporate practices and values as primary considerations in their decision-making.

Superior Employee Performance:

- Companies with sound business practices and established values report improved employee morale, reduced employee turnover and increased productivity.
- Functionally effective ethics create and build a morally safe environment based on care, trust, responsibility, and other core values unique to the corporation.
- As a result of the business initiatives employees have a renewed sense of what the company stands for and its obligations to stakeholders.
- Ethics training helps to prevent fraud. In organizations where honesty and integrity rule, it is easy for employees to resist the many temptations today's business world offers.
- When every employee has integrated the moral ethics of the corporation into his or her responsibilities and personhood, then integrity has become a part of the culture.

Elevated Management Reputation:

- Emphasizing responsible business conduct is the surest means of preserving a company's intangible assets.
- Sarbanes-Oxley makes clear that a company's senior officers are responsible for the culture they create and must be faithful to the same rules they set out for other employees.
- Misconduct is contrary to the high ethics of the company and employees should understand that senior executives would take whatever steps are necessary to prevent problems.

5. You are Sarbanes Oxley compliant.

You know so because you are looking for issues like those mentioned in the Act: Insider Trading, Improper Loans to Executives, Retaliation against Whistleblowers, Conflict of Interest and Accounting Irregularities. However, the ethical company's management should want to be more than Sarbanes Oxley compliant; they want to be dedicated to managing an ethical corporation. They want to also ensure they capture concerns with harassment, discrimination, and other unacceptable behavior. This is not enough. Take it to another level to "be the best you can be." The returns are higher.

6. Bring in several advisors.

There are many, many resources standing by, ready to assist you complete the code of ethics process: law firms, individual consultants, other professional services firms, and consulting companies. However, not all providers might be suitable or qualified. Seek out an advisor with real-world experience. Check references. Ask for referrals from your business peers. Remember one more important point. The Code of Ethics program is not something you give to an outside vendor or do once and forget about. Instead, it must become part of the fabric of your company. You have to continually enhance, tweak, reallocate, re-educate, and refocus in a never-ending cycle.

Bradley Lambert Ethics Workshop Objectives

At the conclusion of the workshop, participants will be able to:

- Describe the importance of a Code of Accountability and Ethics policy / procedures
- Describe the Sarbanes Oxley Act and SEC regulations related to ethics
- Define management's role in implementing the ethics program
- Implement ethics policies and procedures
- Communicate the ethics policies and procedures to others in the organization
- Describe how the ethics program will be assessed and monitored
- Help quantify the benefits achieved by implementing your updated Code of Ethics

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