SGE 21
2008

ETHICAL AND CSR MANAGEMENT SYSTEM

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SGE 21:2008

ETHICAL AND CSR MANAGEMENT SYSTEM

Standard for the Evaluation of Ethical and Socially Responsible Management in organizations

Forética/SGE 21/2008 Version

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I. PRESENTATION

Ethical and Socially Responsible Management represents a response on the part of organizations to the challenges of **transparency, integrity and sustainability,** understood as featuring three key facets: economic, environmental and social. New trends around the world and the rapid change in citizens' expectations are spurring the most efficient organizations to incorporate mechanisms into their practices which allow them to discern and to anticipate the motivations of all stakeholders (clients, suppliers, persons forming the organization, investors, etc.).

Ethical and Socially Responsible Management is voluntary. Nevertheless, it requires a commitment to demonstrating at least three essential elements. First of all, is its integration into the organizations' strategies and processes. Secondly, a willingness to engage in dialogue and know the expectations of the stakeholders. Finally, promoting transparency and communication.

In this sense, the growing demand, from both companies and organizations, for mechanisms and tools which permit them to assure that the **organizations' management practices** are in line with **their values** has made the **SGE 21 Standard** a flexible platform capable of generating change and adapting to the organizations new realities.

The 2008 Edition of the SGE 21 Standard represents the third revision since its initial introduction in October 2000. This new version constitutes an update, based on consensus, on the requisites demanded by the standard. In addition, it marks an adaptation to the **Ethical and Socially Responsible Management** criteria which businesses,

governments, financial markets, unions, service industry organizations and citizens, among other groups, have over time come to establish and recognize as elements essential to responsible management.

Forética, the owner of **the SGE 21 Standard,** has its origin in Barcelona in 1999, when a large group of executives and opinion makers reflected on a way to promote a business culture based on recognizing the responsibilities of all those who form it and their relationship with society and the environment.

In this way a large number of professionals, companies, academics and NGOs created a multidisciplinary forum, in which all its partners collaborate to promote responsible management. One of its first fruits was the elaboration of the **Company Standard SGE 21,** in which more than 100 experts participated representing all stakeholders. This document supports Europe's first **Ethical and Socially Responsible Management System,** which allows voluntarily, to achieve a certification.

2.0Objetive

This Standard, functioning as a framework document, develops the criteria which permits establish, implant and evaluate in organisations the **Ethical and Socially Responsible Management System** proposed by Forética.

Implat the Ethical and Socially Responsible Management System means for the organisations management confidence in itselfand the entity with respect to honesty, loyalty, good faith, transparency and organizational culture. At the same time it encompasses a desire to transmit **the culture of Ethical and Socially Responsible Management** throughout its social environment, with the ultimate goal of gradually coming closer to society at large.
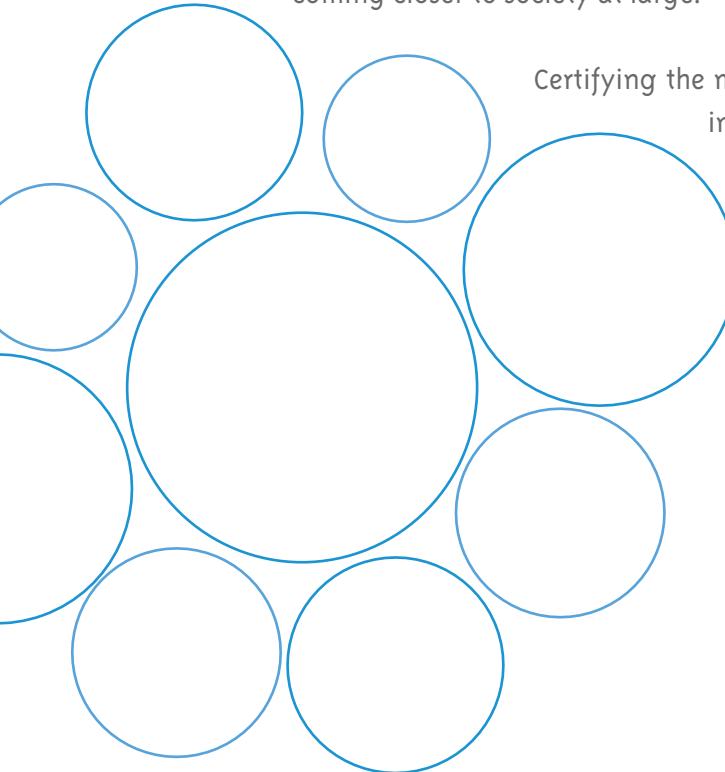
Certifying the management of an organization applying this standard implies aacquiring voluntarily **a commitment to sustainability in the economic, social and environmental spheres.** In addition, it involves applying, demonstrating and maintaining the ethical values expressed in the standard.

3.Scope

The present Standard permits establishing an **Ethical and Socially Responsible Management System** for organizations. They may be applied to the whole organization, or to specific business units, provided that compliance with each of the aspects covered in point 6 of the present document can be evidenced. The **Ethical and Socially Responsible Management System** should be considered as part of an organization´s overall management system and, as such, compatible and integrated with the quality, environmental, work hazard prevention and innovation systems, amongst others.
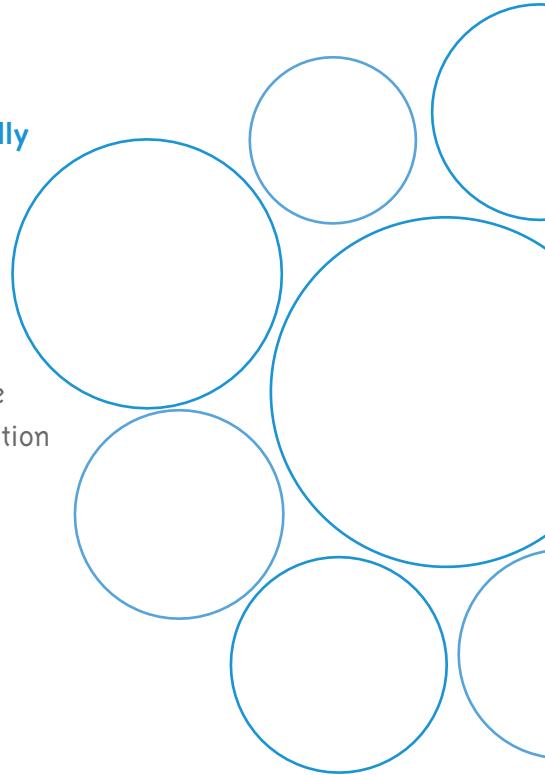
4. Reference Documents

- **The European Commission Announcement** on Corporate Social Responsibility: A
- Business Contribution to Sustainable Development (2002).
- **The European Commission** Announcement: Putting in practice the association for growth and employment; making Europe a standard of excellence in the sphere of corporate social responsibility.
- Corporate Sustainability Assessment Questionnaire: SAM Research **Dow Jones Sustainability Indexes.**
- Tripartite Declaration by the International Labor Organization on Multinational Businesses and Social Policy
- Guidelines of the **Organization for Economic Cooperation and Development** for multinational businesses.
- Applicable guidelines of the **International Labor Organization**
- **FTSE4 Good** Index Series. 2008 Inclusion criteria.
- **Forética** GLOSSARY
- AENOR Guide. Ethics, Social Responsibility System Management for businesses
- G3 Sustainability Reporting Guidelines. **Global Reporting Initiative.**
- **ISO** 9001:2000. Quality Management System. Requisites.
- **ISO** 14001: 2004. Environmental Management System. Requisites with instructions for use.
- **ISO** 19011:2002. Guidelines for Quality and or/ Environmental
- Management Systems Assessment.
- **European Commission** Green Book: Promoting a European Framework on Corporate Social Responsibility (2001).
- **OHSAS** 18001:2007. Occupational Health & Safety Management Systems.
- Requisites.
- **UN Global** Compact
- **Social Accountability** 8000. Standard.

5.Description of the standards

The Standard is comprised of six sections. The first five explain the background and the general aspects of the document, whilst Section Six which sets out the Standard's requirements, and as such is the one upon which is based both the implantation and the audit of the organisation to be assessed.

Said section also summarises in **nine management** areas the requirements which are considered adequate to demonstrate evidence of the standards' proper implantation.

The technical requirements are undergoing constant revision, according to recent changes and the experience gathered through their application. It is only natural that this Standard, the first drafted in order to evaluate **Ethical and Socially Responsible Management**, are subject to a process of continual revision and improvement.

Its structure in management areas will facilitate the incorporation of **ethical values** which are more representative of current realities, in accord with the current thinking and social circumstance.

6.Managements areas

6.1. SENIOR MANAGEMENT

6.1.1. Compliance with legislation and regulations

The commitment to Ethical and Socially Responsible Management implies going one step further than that required by current legislation. Senior Management will guarantee the monitoring and control of all those legal requirements that affect its activity, including the legislation and regulations specific to its sector and the particular local, environmental, social and labor conditions where it operates.

To this end, the organization will keep up to date on all applicable legislation and regulations.

6.1.2. Ethical and Socially Responsible Management Policy

Senior Management must define and maintain within its organization an Ethical and Socially Responsible Management Policy which is:

- **a.** Is available to all those persons who work for the organization and on its behalf.
- **b.** Is available to the public
- **c.** Includes a voluntary commitment to integrate in its strategy and management those social, labor-related, ethical

   and environmental aspects which exceed the demands made by legislation.
- **d.** Is approved and signed by the organization´s top official

6.1.3. Code of Conduct

Senior Management will draft a Code of Conduct which is to:

- **a.** Be distributed to all those persons working for the organization and on its behalf
- **b.** Be available to the stakehlders.
- **c.** Be specific to the organization and coherent with the values it expresses
- **d.** Define the appropriate channel for the resolution of questions, suggestions and complaints
- **e.** Establish sanctions in the event of non-compliance.

6.1.4. Ethical and Social Responsibility Management Committee

Senior Management will create an Ethical and Socially Responsible Management Committee, to be a consultitive body and which should:

- **a.** Be named by the top official of the organization and made up of the people designated by him or her. This group is to be representative of the organization's different management areas and may include external experts.
- **b.** Assure the resources (human, material and financial) to guarantee that the Ethical and Socially Responsible Management System is established, implanted and maintained in an efficient manner and in accordance with the organization's strategy and objectives.
- **c.** Set forth a model for relationships and dialogue with stakeholders..
- **d.** Outline the plans and initiatives carried out regarding Social Responsibility, guaranteeing the fulfillment of their objectives and goals.
- **e.** Identify the legal, social, labor and environmental risks which may affect the organization
- **f.** Provide Management with suggestions, initiatives and proposals for improvement.
- **g.** Assume responsibility for the review and interpretation of the Ethical and Socially Responsible Management Policy and the Code of Conduct.
- **h.** Report on of the consequences for management systems of any changes in the organization's structure.
- **i.** Meet at least twice yearly.

6.1.5. Ethical and Social Responsibility Director

Senior Management will name an Ethical and Social Responsibility Director who will perform, amongst others, the following functions:

a. Ensure compliance, supervision and coordination of the Ethical and Socially Responsible Management System (including the Ethical Management and Social Responsibility Policy and the Code of Conduct).

b. Coordinate the Ethical Management and Social Responsibility Committee

c. Present the Committee with the proposed plan, inventory of Social Responsibility initiatives, model for relationships and dialogue with stakeholders, and the categorization of legal, social and environmental hazards.

d. Advise both, Management as well as the Ethical Management and Social Responsibility Committee, and those responsible for the different management areas, on the aspects he or she considers relevant towards the achievement of their objectives and goals.

6.1.6. Objectives and indicators

Senior Management willl establish a Social Responsibility Plan with measurable, comparable and verifiable objectives. Corresponding indicators for follow-up will be defined at least yearly in order to evaluate compliance with the plan.

6.1.7. Dialogue with Stakeholders

Senior Management will develop a documented model for relationships with stakeholders. To this end, it will define the criteria to identify and classify said stakeholders, as well as the methodology to gauge their expectations and to establish and prioritize action and communication plans. This communication will be duly recorded and filed.

6.1.8. Information Security

The organization will guarantee the security of information used and/or acquired from stakeholders from the start of relationships until their conclusion.

6.1.9. Anti-corruption Policy

Senior Management will establish a public policy to fight corruption which will establish, among other things:

a. Measures for the eradication of practices such as bribery and extortion.
b. Criteria for the giving and receiving of gifts and favors.
c. Ways to detect and limit conflicts of interest.
d. Transparency as regards contributions to political parties
e. Mechanisms to consult personnel regarding suspect actions
f. Mechanisms for the reporting of corruption.

6.1.10. Follow-up and evaluation

The organization will carry out annual internal assessments of the Ethical and Socially Responsible Management System in order to verify the correct application of the system and its satisfaction of the Standard and their requirements.

The responsibilities, assessment criteria, methods and scope will be defined as necessary to guarantee the objectivity and impartiality of results. To this end:

a. Deficiencies will be documented and the necessary actions to correct them will be undertaken.
b. An assessment report shall be drafted which outlines conclusions and which will be made available to the Ethical Management and Social Responsibility Committee.

6.1.11. Management Review and Continuous Improvement

Senior Management will review the Ethical and Socially Responsible Management System at least once a year in order to assure that it is adequate and efficient, through follow-up indicators and the drafting of plans for continuous improvement.

The minimum information in the review will include:

a. Ethical Management and Social Responsibility Policy

b. Code of Conduct

c. Composition and performance of the Ethical Management and Social Responsibility Committee.

d. Social Responsibility Plan.

e. Objectives and indicators

f. Model for relationships and dialogue with stakeholders.

g. Assessment reports

h. Corrective and preventive actions initiated.

6.1.12. Social Responsibility Report and Communication

Senior Management will present, at least once every two years, a report on the current status of Social Responsibility in its organization, which should:

a. Include the organization's profile, its strategy for Social Responsibility management, its dialogue mechanisms with stakeholders, and the main economic, social and environmental indicators it applies.

b. Be available to the public.
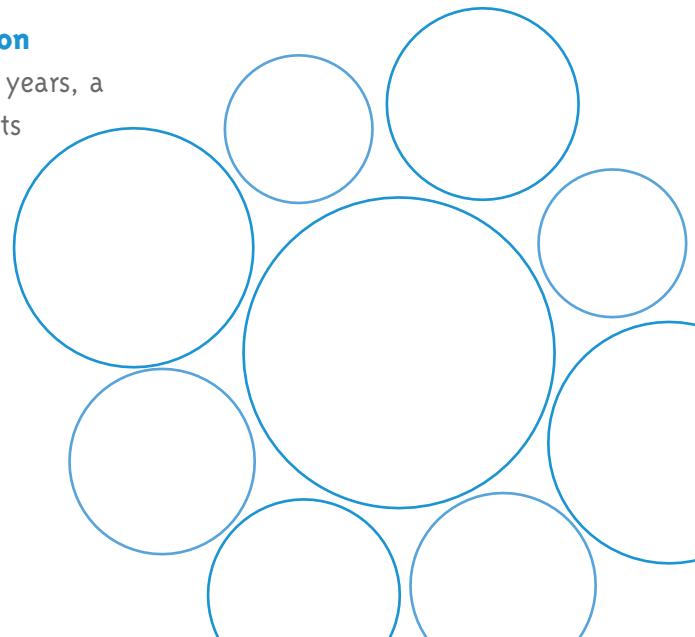
6.2. CLIENTS

6.2.1. Responsible research, development and innovation

Organizations should provide responsible and competitive products and services, to this end maintaining a constant

commitment to Research, Development and Innovation (R+D+I), taking into account ethical, labor, social and environmental criteria when designing different products or services.

6.2.2. Quality principles

Principles of quality are to be respected both in the process making products available to consumers as well as in the rendering of services. This commitment ought to form part of organizational culture, in order to maximize the satisfaction of clients and customers.

Organizations should carry out customer satisfaction studies, analyzing the results and responding with the appropriate measures.

6.2.3. Good Commercial Relations Practices

Organizations are to present at all times clear and honest information regarding what they commercially offer, respecting the following points:

   a. Clear and unambiguous identification of the product or service offered.
   b. Contracts will include the price and payment and delivery conditions
   c. Post-sale service and guarantees (when applicable)
   d. A documented system to receive, process and record client complaints, including causes, the actions taken, and the response.

6.2.4. Product and Service Safety

Organizations are to assure the safety of the product or service which they provide to clients and consumers. To this end they are to:

a. Assure that their products or services' technical specifications are established, including those related to health, safety and the environment, as well as usage and storage conditions, relaying this information properly to customers.
b. If defects are detected in the design, manufacturing or distribution of products and services at any time after their delivery, consumers will be informed and the appropriate measures for their repair and replacement will be taken.

6.2.5. Accessibility

Organizations are to promote global accessibility to their products and services and to their facilities through the identification and initiation of concrete actions, with appropriate follow-up measures.

6.2.6. Responsible Advertising

Organizations are to establish responsible advertising principles and practices which will be made known through the Ethical Management and Social Responsibility Committee and the departments involved, and shall outline the procedures which will ensue in the event of non-compliance.

These principles and practices will be applicable to processes designed to capture customers and clients.

6.3. SUPPLIERS

6.3.1. Responsible Purchasing

Organizations are to define the criteria for responsible purchasing, depending upon the ethical, labor, social and environmental aspects which they consider opportune and which exceed applicable legal requirements.

6.3.2. System of diagnosis and evaluation

Organizations will establish a diagnosis and evaluation system for suppliers depending upon the different risk levels involved.

In addition, organizations will establish an evaluative methodology for suppliers based on the responsible purchasing criteria previously defined which will progressively cover the different risk groups detected.

6.3.3. . Promotion of good practices, support and improvement measures

Organizations, as far as possible given their capacities, will collaborate with suppliers in order to continuously improve the results obtained through the diagnosis and evaluation process.

6.4. PERSONS FORMING THE ORGANIZATION

6.4.1. Human Rights

Organizations are to demonstrate that in the area of Human Rights they carry out a process of supervision and monitoring for the observation of said Rights in their relationships with the organization's personnel, with special attention to be given to those related to business activity, such as:

  a. The right of association (freedom to form unions and the right to collective negotiations)
  b. Child and youth rights (suppression of the exploitation of children and forced labor)
  c. Rights to equitable and satisfactory work conditions.

6.4.2. Diversity Management

The different diversity profiles present in organizations will be defined, prioritizing their expectations and needs and establishing action plans which guarantee the responsible management of said diversity.

6.4.3. Equal opportunities and Anti-discrimination

Organizations will guarantee respect for the Principle of Equal Opportunity, specifically as regards access to work positions, training, professional development and compensation.

In addition, they will guarantee the absence of discrimination perpetrated due to gender, race and ethnicity, religion or convictions, incapacity, age, sexual orientation and culture, among other grounds. Organizations will expressly monitor to assure that their personnel are not the targets of undesired conduct meant to undermine or resulting in a affronts to the dignity of any individual, and will prevent the creation of a professional environment which is intimidating, humiliating or offensive.

6.4.4. Work life balance

Organizations will facilitate the reconciliation of personal, family and professional life for their personnel through the active application of policies to this end, the results of which will be duly recorded and archived.

6.4.5. Work-health and safety

Organizations will develop mechanisms to guarantee health and safety in the workplace which willl be integrated into all areas of management. Also they will guarantee the compliance with all requirements in relation to work hazard prevention.

6.4.6. Job description

Organizations are to keep up-to-date records, available to all personnel, on the job description. Said descriptions will include requirements for the post, responsibilities, hierarchical and functional relationships, as well as the systems and parameters for performance evaluation.

6.4.7. Training and improving employability

Needs for training are to be periodically evaluated, establishing the necessary programs so that employees may be kept u up-to-date and develop their abilities, in accordance with the organizations' general objectives.

Organizations will assure that employees receive information on the Code of Conduct, with particular regard to those aspects of the Ethical and Socially Responsible Management System which affect their job areas, or which are of general interest.

6.4.8. Monitoring working environment

Organizations will carry out an evaluation of their work environment at least every three years, analyzing the results and putting in place the necessary mechanisms for continuous improvement in this area.

6.4.9. Responsible restructuring

In the event of restructuring, organizations will take into account the needs, interests and demands of all parties affected by the process, reducing as far as possible the negative effects associated with it.

6.4.10. Conflict resolution channels

Organizations will make available to all personnel the appropriate channels through which to direct their suggestions, complaints or grievances regarding aspects related to the Ethical and Socially Responsible Management System of their organization. A record will be kept with the entries and the measures adopted for the resolution of grievances, as well as their effectiveness.

6.5. SOCIAL CONDITIONS

6.5.1. Evaluation and monitoring impacts

Organizations will take into account the repercussions which their activities will have on the communities in which they operate. To this end they will identify the social impacts, both positive and negative, which their activity has, adopting the appropriate measures to improve their contribution to society.

6.5.2. Transparency

Organizations will strive for the transparency of their activity with respect to their social environment, facilitating communication channels and measures for cooperation with all stakeholders.

6.5.3. Social action

In the event that organizations participate in charitable or social actions, they will draft annually a report which details these activities. Said report will include the results obtained, gauging their social or economic importance.

6.6. ENVIRONMENT

6.6.1. Pollution prevention and climate change strategy

Organizations shall publicly commit to prevent pollution generated by their operations and products, including strategies to combat climate change, as well as to continuously improve their environmental performance, guided by the global objective of sustainable development.

6.6.2. Identification of activities and impacts

Organizations are to identify, register and evaluate those aspects of their activities, products or services which have or could have a negative environmental impact.

6.6.3. Environmental management program

Organizations are to establish a management program with objectives and measurable coherent goals, involving their environmental commitment as regards their plants or work centers, with the objective of reducing the impacts which their activities have on the conditions surrounding them.

This program will be reviewed annually, and whenever changes in the organization come about affecting this area.

6.6.4. Hazard prevention plan

Organizations are to establish a management program with objectives and measurable coherent goals, involving their environmental commitment as regards their plants or work centers, with the objective of reducing the impacts which their activities have on the conditions surrounding them.

This program will be reviewed annually, and whenever changes in the organization come about affecting this area.

6.6.5. Environmental communication

Organizations will report on the environmental aspects related to their activity at least every two years.

6.7. INVESTORS

6.7.1. Good governance

The relationships of the organization with all of its investors will be governed by the guiding principles of transparency, loyalty and the sustainable creation of value. To this end organizations will formalize a protocol for their relationships with investors, or a Code of Good Governance, which it will make available to all investors.

In said protocol the organization will set forth at least the following matters:

   a. The relationships between the organization´s ownership and its management.

   b. The content of periodic information will be made available to investors

   c. The frequency of said information

   d. The channels made available to investors to request and receive information at any time.

6.7.2. Information transparency

Organizations are to make their annual accounts public and accessible.

6.8. COMPETITION

6.8.1. Fair Competition

Organizations shall respect their competitors' ownership rights, fomenting agreements between parties or arbitration formulas as methods for the resolution of differences in this regard. In addition, organizations are not to engage in inappropriate actions in order to gather information on their competitors. An updated record will be maintained which registers the complaints and formal requests filed by competitors. Organizations are not to spread false or libelous information on their competition.

6.8.2. Cooperation and alliances

Organizations shall promote the forming of associations and forums based on common interests, which serve as instruments through which to meet with competitors and to share experiences.

6.9. GOVERNMENT AUTHORITIES

6.9.1. Collaboration with the Government

Organizations are to establish the communication and dialogue channels which they deem appropriate to deal with Government   Authorities, cooperating towards the development of a culture based on Ethical and Socially Responsible Management in the communities where they operate.

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