



1.Importance of the subject

The governance of the organization is a system by which an organization makes and implements decisions to achieve its objectives, including both formal governance mechanisms based on defined structures and processes, and informal that emerges in connection with the culture and values of the organization.

It is considered as a fundamental function of organizations of all types, since it constitutes the framework for making decision within it. It is the most important factor to enable an organization to take responsibility for the impacts of their decisions and activities while integrating social responsibility throughout the organization and their relationships.

Governance should enable an organization to monitor and implement the principles of social responsibility: Accountability, Transparency, Ethical behavior, Respect for stakeholder interests, Respect for the rule of law, Respect for international norms of behavior and Respect for human rights Leadership is key to effective governance, not only for decision-making, but also to motivate employees to practice social responsibility and integrate through culture of the organization. Due diligence can also be a useful approach to address issues of social responsibility in business.

2.Definitions

Organization: entity with identifiable objectives and structure.

Organizational governance: system by which an organization makes and implements decisions in pursuit of its objectives.

Due diligence: comprehensive, proactive effort to identify risks over the entire life cycle of a project or organizational activity, with the aim of avoiding and mitigating those risks.

Accountability: responsibility of an organization for its decisions and activities, and state of being answerable to its governing bodies, legal authorities and, more broadly, its other stakeholders regarding these decisions and activities.

3.Self-assessment guide on critical issues related to the subject

With respect to Organizational governance, the organization should take into account the following provisions:

Issue 1: Processes and structures of decision making

- Does the organization make sure to develop strategies, goal and targets that reflect their commitment to social responsibility?
- Does the organization make sure to demonstrate commitment and accountability from leaders?
- Does the organization make sure to create and nurture an environment in which the principles of social responsibility are practiced?
- Does the organization create a system of economic and non-economic incentives related to performance on social responsibility?
- Does the organization make sure use financial, natural and human resources efficiently?
- Does the organization promote fair representation of under-represented groups (including women and racial and ethnic groups) in senior positions in the organization?
- Does the organization make sure balance the needs of the organization and its stakeholders, including immediate needs and those of future generations?
- Does the organization establish two-way communication processes with its stakeholders that take into account the stakeholders' interests and assist in identifying areas of agreement and disagreement and in negotiation to resolve possible conflicts?
- Does the organization promote the effective participation of all levels of employees in the organization's decision making on issues of social responsibility?



*Based on: ISO 26000:2010. Guidance on social responsibility.



- Does the organization make sure that balance the level of authority, responsibility and capacity of people who make decisions on behalf of the organization?
- Does the organization make sure to keep track of the implementation of decisions to ensure that these decisions are followed through and to determine accountability for the results of the organization's decisions and activities, either positive or negative?
- Does the organization ensure periodically review and evaluate the governance processes of the organization?
- Does the organization ensure to adapt processes based on the result of the revisions and changes are communicated to the whole organization.

4. Good practices of integration

4.1. Planning of the integration of the subject to the organization

The organization should establish and implement processes and structures for making decision.

Starting from the development and / or inclusion in the Strategic Plan, the organization must establish a framework to incorporate the issue of governance, by:

- Defining the vision and commitment (to reach a agreement on the general goal and the strategy to achieve and commit to change)
- Assignment of the resources (time, personal, economic, incentives, etc.).
- Definition of the work team (the working group's responsibilities, performance, communication between those involved)
- Analysis of current status and establishment of a gap (check for established practices or existing documents)
- Formulation of objectives (which add value and realistic expectations of achievement, from the resources of the company)
- Analyze possible actions (cost-effective, time required for application)

4.2. How to do the integration?

Improvements in governance will depend on the size of the company, financial and human resources available to the company and the specific demands of the market and investors.

The best route to integrate this issue is by developing of the Corporate Governance Code, it must consider:

- Effective Framework for Corporate Governance.
- Right of shareholders.
- Equitable treatment of shareholders.
- Stakeholders.

- Disclosure and Transparency.
- Responsibilities of the Board.

Once developed the Corporate Governance Code:

- Must be submitted to the Board of directors, who is responsible for approval and implementation.
- Must be communicated the entire company and stakeholders

4.3. Verification

In order to verify that the mechanisms defined for the governance of the organization are being implemented, can be realized:

- Financial audits.
- Periodical meetings of the Board of directors.
- Internal audits.
- Legal compliance assessments.

5. What to do if that risk is present?

When presented risks associated with governance issue, it is advisable that the company starts corrective and preventive actions documented to demonstrate their commitment to address the specific deviations and improve their policies and procedures. In addition, should be have processes for resolving disputes and claims, as well as effective mechanisms for communication, analysis and control.