

# **Q-RES Standard and Guidelines**

## **for the improvement of the ethical and social performances of the organisation**

*Emma Baldin and Lorenzo Sacconi*

## Contents

### **PART A: THE Q-RES MODEL AND TOOLS FOR THE MANAGEMENT OF THE SOCIAL AND ETHICAL RESPONSIBILITY OF ORGANISATIONS**

#### **0 INTRODUCTION**

- 0.1 *The Q-RES Project*
- 0.2 *The Q-RES model: social contract, business ethics and reputation*
- 0.3 *The Q-RES model and tools for the management of the ethical and social responsibility of organizations*
- 0.4 *Comparability with other management systems and with ISO 9000*

#### **1 SCOPE**

- 1.1 *General*
- 1.2 *Application*

#### **2 NORMATIVE REFERENCES**

#### **3 TERMS AND DEFINITIONS**

### **PART B: MANAGEMENT SYSTEM FOR THE CORPORATE SOCIAL AND ETHICAL RESPONSIBILITY OF ORGANISATIONS**

#### **4. MANAGEMENT SYSTEM FOR CORPORATE SOCIAL AND ETHICAL RESPONSIBILITY**

- 4.1 *Adoption and use of ethical and social responsibility tools (Q-RES tools) and management systems and processes*
- 4.2 *Documentation*
- 4.3 *The inspiring principles (Q-RES principles)*

#### **5 MANAGEMENT RESPONSIBILITY**

- 5.1 *General guidance*
- 5.2 *Stakeholders' needs and expectations*
- 5.3 *Code of Ethics*
- 5.4 *Planning*
- 5.5 *Responsibility, authority and communication*
- 5.6 *Management review*

## **6 RESOURCE MANAGEMENT**

- 6.1 *General guidance*
- 6.2 *Employees/ People*
- 6.3 *Infrastructure*
- 6.4 *Work environment*
- 6.5 *Suppliers and partnership*
- 6.6 *Social capital*
- 6.7 *Information*
- 6.8 *Natural resources*
- 6.9 *Financial resources*

## **7 PRODUCT REALIZATION**

- 7.1 *General guidance*
- 7.2 *Processes related to stakeholders*
- 7.3 *Design and development*
- 7.4 *Purchasing*
- 7.5 *Production and service operation*
- 7.6 *Control of measuring and monitoring devices*

## **8 MEASUREMENT, ANALYSIS AND IMPROVEMENT**

- 8.1 *General guidance*
- 8.2 *Monitoring*
- 8.3 *Conformity control*
- 8.4 *Data Analysis*
- 8.5 *Improvement*

## **PART A**

# **The Q-RES model for the management of the ethical and social responsibility of organisations**

## **0 INTRODUCTION**

### **0.1 The Q-RES Project**

The mission of the Q-RES project is to foster a business vision based on a social contract with stakeholders which hinges upon the definition of a new quality standard of corporate social and ethical responsibility. This vision should be able to safeguard an organisation's reputation and to ensure its reliability, and, in addition, it should be certifiable at the international level. Indeed, the Q-RES project develops a corporate strategic management model for social and ethical responsibility. Inspired by the concept of a social contract between the firm and its stakeholders, this model is implemented by organisations through the adoption of an integrated and complete set of instruments for corporate ethical and social responsibility which effectively enhance the reputation mechanism and increase stakeholders' trust in the organisation. The Q-RES management system specifies how the Q-RES model – at its different stages – should be applied within the corporate business system. Following development of the Q-RES Guidelines for the management of corporate social and ethical responsibility, the Q-RES instruments were tested within a number of organisations participating in the project, and a board was created in order to draw up the Q-RES standard. The CELE research team engaged in constructive dialogue with the representatives of similar initiatives in Europe – such as SIGMA Project and AA1000 in the UK, and the ValuesManagementSystem in Germany – and with Italian Government and European Commission institutional representatives, with a view to promoting a think tank for the development of a European standard.

### **0.2 The Q-RES model: social contract, business ethics and reputation**

If a company is to achieve a high level of reputation, its stakeholders must have confidence in it and in the way that relations with them are managed. However, the management of such relations is a very complicated matter, for two reasons: on the one hand, stakeholders' interests sometimes conflict with entitled to share some of the benefits produced by their contribution. The problem thus arises of striking a balance among the legitimate claims advanced by the company's various stakeholders. It should be noted that the term 'stakeholder' is descriptive: it does not express a normative concept, because it says nothing about how interests and values should be balanced. A moral - that is, prescriptive - criterion is needed to define a balancing criterion acceptable to all stakeholders as the basis for the cooperation necessary to accomplish the corporate mission. The company must therefore adopt a strategic multi-stakeholder approach and a method that furnishes criteria with which to balance various interests and values.

The problem can be solved through business ethics, i.e. the discipline applying ethical-philosophical theories concerning justice, economic contexts, and the decision-making processes typical of organisations. Business ethics suggest that a balancing criterion may take the form of a fair and efficient 'social contract' between the company and all stakeholders. The social contract is not a real contract; rather, it is an ideal one: it is a touchstone. It is grounded on a concept of justice whereby what is fair is

what people rationally and consensually accept with unanimity. To reach a fair agreement, the following conditions must be satisfied:

- The interests of all must be considered;
- All must be informed and not deceived;
- None must have suffered or suffer power or constraint; and
- Agreement must be reached on a voluntary basis through rationality.

Managing a company on the basis of a fair and efficient contract with its stakeholders can generate various benefits. First, it provides an opportunity to counteract opportunistic behaviour harmful to the stakeholders' legitimate expectations of well-being. Opportunistic behaviour is particularly detrimental to economic organisations because it may persuade investors, employees, customers and consumers to reduce their investments – of work, knowledge or capital – in the company. A second benefit is the reduction in governance and monitoring costs of the company's transactions when relations based on mutual trust are established. Finally, managing the company according to a social contract is not only a 'minimum' guarantee of compliance with the law in every circumstance in which the company operates; it also helps the management to identify possible negative social effects of corporate activities by recognising legitimate stakeholders' interests sometimes forgotten or not sufficiently acknowledged, as well as orienting the corporate strategy towards social and environmental sustainability.

The social contract model provides a theoretical basis on which business ethics can be injected into corporations.

Incentives and motivations to act in compliance with the corporate social contract appeal to the *reputation effects* that economists analyse and describe using game theory models.

In particular, the theory of repeated games explains how reputation arises from a well-established mechanism which moves through three separate phases: a) repeated interaction between stakeholders and the company; b) observation of the company's conduct by stakeholders, and c) the updating of the stakeholders' beliefs about future corporate behaviour. Only if a company's reputation reaches a level that the stakeholders view as a satisfactory will they cooperate with the company, because they expect it to behave in accordance with what they have observed in the past. The reputation mechanism begins with a corporate commitment to the stakeholders which is in some way verifiable and observable, even with a margin of ambiguity, by the latter. The pay-off from this reputation mechanism is enhanced reputation, which is also the factor that makes commitment trustworthy. Reputation effects may yield competitive advantages for companies in the market and in their relations with public authorities. One thus observes an evolving imitative mechanism whereby a sub-population of companies achieving reputation advantages attracts others which do not yet apply the same standards.

Reputation is straightforwardly generated in simple transactions with immediate exchanges because a stakeholder can easily verify the quality of the goods and services purchased, evaluate corporate behaviours, and consequently note a reputation increase or fall.

Yet, very often, relations with a company are complex, uncertain and unpredictable, the consequence being that they cannot be regulated by simple contracts or other legal devices. The situation is complicated further if transaction is followed by *unforeseen contingencies*, *incomplete contracts* and *information asymmetry*. In the most frequently occurring complex transactions with unforeseen contingencies, where contracts turn out to be incomplete, and with information asymmetry between the parties, checking quality is possible only *a posteriori* ('experience good'), or it may even be impossible ('credence good'). Moreover, determining a reputation increase or decline in corporate reputation is also an uncertain operation. The reputation effects mechanism alone is insufficient in such situations. The company must clearly state its commitment towards all stakeholders and clarify what decision-making principles it will follow in its interactions with them. Furthermore, it must report on its actions and decisions in order to demonstrate that it has fulfilled its commitments.

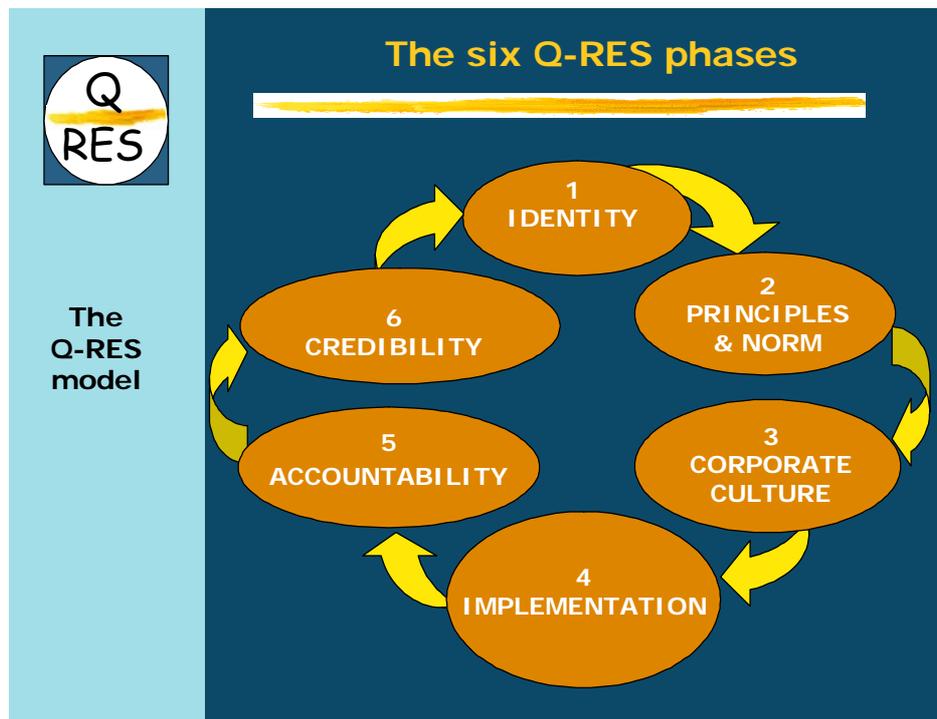
The instruments with which a company may communicate trustworthy and verifiable commitment are principally the following: introduction of an in-house code of ethics, internal training and monitoring activities, periodic reporting, and independent verification.

To conclude: business ethics reduce ambiguity, vagueness and arbitrary discretionary power when contracts and the law are too rigorous, insufficient or non-existent. Accordingly, ethics are a company's intangible asset which give it value added. For this reason it is in the interest of a company to adopt corporate social and ethical responsibility instruments – for instance, a code of ethics – with which to enhance its reputation, where complexity and ambiguity might hinder mutual trust with stakeholders. Put otherwise: the more complex transactions become, the more stakeholders fear abuse, the greater the

company's concern with its reputation, the more strongly felt is the need for business ethics as a governance framework for interactions with stakeholders.

### 0.3 The phases and tools of the Q-RES for the strategic management of the corporate ethical and social responsibility of organizations

The Q-RES model identifies six phases – each with an associated tool – in implementation of a management system for corporate ethical and social responsibility:



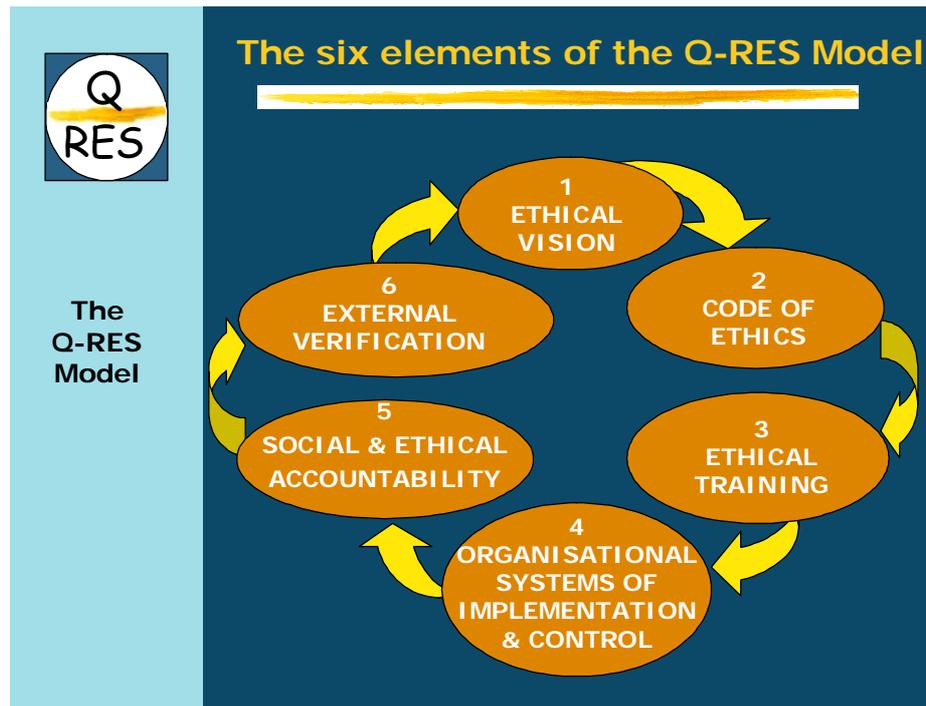


Fig. 1

**1 Ethical Vision:** this is a set of ethical criteria which balances numerous different rights and stakeholder claims, assembling the corporate mission and values into a unitary vision of a strategic nature.

**2 Code of Ethics:** this states the rights, duties and responsibilities of the company towards all its stakeholders. It consists of behaviour principles, and the rules of conduct with which to comply in fulfilment of those principles and thereby enrich decision-making processes and orient corporate activity.

**3 Ethical training:** this comprises all activities to develop – and maintain constantly up-to-date – the ability to recognize, analyse and solve ethical dilemmas within the company by using conceptual, philosophical, economic, legal and organisational tools. Moreover, ethical training facilitates values-sharing centred on the principles and standards of conduct set out in the corporate code of ethics and encourages the introduction and implementation of the various instruments of corporate ethical and social responsibility. It enables decision makers to apply the idea of the social contract to their day-to-day decisions and actions.

**4 Organisational systems of implementation and control:** these constitute the ‘ethical infrastructure’ of a company that enables it to undertake ethical performance improvement and monitoring. The ethical infrastructure includes processes and activities which support the implementation of social and ethical responsibility within the company by aligning corporate strategies, policies and business objectives with the shared ethical values and principles of the company, as well as the auditing and monitoring of compliance by processes and individual behaviour with organisational rules.

**5 Social and ethical accountability** entails:

- planning a system for the systematic collection, measurement and communication of relevant information concerning the impacts of corporate activity on the well-being of stakeholders;
- evaluating the consistency of results with the objectives set by the company’s mission, ethical vision and code of ethics;
- engaging in dialogue with stakeholders during the social accountability process in order to gain understanding of their level of satisfaction and verify the correspondence between their expectations and the objectives and results of corporate activity.

**6 External verification** is the activity whereby a third party checks the consistency between the social and ethical responsibility tools adopted by the company and the excellence criteria defined by the Q-RES Guidelines.

Each tool performs a specific function within the reputation mechanism which increases stakeholder trust in the company.

The Q-RES tools are designed to manage corporate social and ethical responsibility and support the reputation mechanism. To be effective, the linkages among the various elements of the Q-RES management model must be clearly understood.

The rationale behind the reputation mechanism is the following:

- companies make commitments concerning their social and ethical responsibility. These commitments are made explicit by the formulation of the Corporate Ethical Vision and the introduction of a corporate Code of Ethics;
- commitments are further specified with regard to critical areas in relations with stakeholders and embedded in corporate activities through the revision ('enrichment') of corporate strategies, policies, processes and procedures;
- employees are informed about the commitments made by the company and provided with cognitive tools with which to understand, share and apply them through internal communication and training programmes;
- organisational systems to support implementation and monitor compliance with the stated ethical principles are introduced;
- internal ethical auditing is undertaken in order to identify and investigate areas of ethical risk within the business, with a related sanctions system;
- a social and ethical accountability process is introduced to assess corporate social and ethical performance and communicate the results to stakeholders;
- the social communication enables stakeholders to evaluate the correspondence between commitments stated by the company and behaviours observed or communicated, and accordingly increase or decrease their trust in the company;
- external verification of the Q-RES-tools adopted by the company enhances the reliability of corporate communication to stakeholders, thereby supporting the credibility of the company's commitments.

### **Q-RES Tools Requirements**

Spelt out in what follows are the elements necessary to understand and apply the tools indispensable for implementation of the Q-RES management system. The content of this part is therefore **prescriptive** in regard to the content and development methodology of each tool.

#### **Corporate Ethical Vision**

<b>Content</b>	<p><i>A definition of the corporate identity</i> that describes sector, size, activity, legal structure, property structure and governance structure of the company;</p> <p><i>A mission statement</i> that declares aims and common purposes of cooperation among individuals or groups working together in the organisation and interacting with external parties that invest in the company according to their own interests and expectations;</p> <p><i>A statement of shared values</i> that affirms the shared principles and ethical values in the corporate culture which inspire and guide corporate decisions and activities;</p> <p><i>A definition of the ethical criterion for balancing stakeholders' legitimate expectations</i> and which specifies the duties and responsibilities on which the company bases and regulates its relationships with the stakeholders.</p>
<b>Development methodology</b>	<ol style="list-style-type: none"> <li>1. Brainstorming among members of the senior management in order to give explicit form to their ideas and intuitions concerning the corporate mission, values and ethical vision;</li> <li>2. Dialogue, by means of appropriate tools (interviews, questionnaires, focus groups, etc.), with managers and relevant stakeholder groups, aimed at gathering and analysing opinions on: the corporate identity, aims and purposes, responsibilities, relations with stakeholders, procedures, and criteria with which to fulfil their expectations and interests, shared ethical values, as well as the strategies? with which the company intends to pursue its mission;</li> <li>3. Preliminary formulation of the ethical vision: intuitive judgements and opinions must be compared with the more general criteria expressed by different ethical theories (reflexive equilibrium). The corporate ethical vision arises from the process of comparing and balancing. An external ethical point of view (ethical consultant) is required to rationalise intuitions and specific judgements within a more reliable ethical vision.</li> <li>4. Discussion and mediation among different positions in order to agree on the corporate ethical vision. In this dialogue intuitions must be consistent with principles, and the general ethical theory itself may be adjusted in response to individual judgements.</li> <li>5. Integration and alignment between the corporate ethical vision and business objectives;</li> <li>6. Explicit and unitary formulation of the corporate mission, values and ethical vision;</li> <li>7. Information of, and communication to, all employees in order to achieve consensus and generalized values sharing; and</li> <li>8. Revision and updating of the vision after major organisational changes (for instance, repositioning in the market, change of ownership, mergers and takeovers).</li> </ol>

## Code of ethics

<b>Content</b>	<p><i>Preamble:</i> the ethical vision and a complete list of the company's stakeholders</p> <p><i>General Ethical principles:</i> ethical principles are abstract and general so that they may be applied to many different events, including unforeseeable ones. Principles require compliance and reciprocity.</p> <p><i>Specific Ethical principles:</i> specific ethical principles concern the relationship between the organisation and its stakeholders.</p> <p>Ethical principles define what fair satisfaction level (also in qualitative terms) stakeholders may legitimately expect; and they accordingly identify the responsibility that the company is willing to assume in catering to the expectations of each stakeholder group.</p> <p><b>Rules and standards of conduct:</b> rules and standards of conduct should be formulated only when careful analysis has been made of "critical areas" in relationships with stakeholders: in other words, issues and situations to do with opportunism or cases of unethical conduct.</p> <p>Rules of conduct can be twofold: prohibition or preventive conduct standards.</p> <p>As to Code areas related to anticorruption and employees' rights in suppliers, reference is made to the OECD-Convention rules recently transposed into Italian law on preventive actions and effectiveness of organisational models, and to the SA8000 standard.</p> <p><i>Implementation and control procedures:</i> the processes and organisational structures set up by the company for the purpose of implementing, auditing and encouraging compliance with the Code of Ethics.</p> <p>Implementation and control structures: Corporate Ethics Committee / Ethics Officer. Implementation and control processes: Ethical training programmes tailored to employees' functions and responsibilities / communication of the Code of Ethics to internal and external stakeholders / stakeholders' reports on breaches / analysis of breaches by an internal, independent, ethics committee / reward and sanctions system / internal ethical auditing system / social reporting: social and ethical accountability / external verification.</p> <p><i>Revision of corporate policies and procedures according to principles and standards of behaviour</i></p>
<b>Development methodology</b>	<p>Developing a Code of Ethics first requires the creation of a working group representing the various corporate divisions and functions.</p> <p>Such development entails:</p> <ol style="list-style-type: none"> <li>1. Management/stakeholder dialogue: extensive interviews, questionnaires administered to senior management and major stakeholders on subjects such as the mission, ethical vision, ethical principles, stakeholders' rights and corporate duties;</li> <li>2. Engagement with managers responsible for setting internal rules and procedures;</li> <li>3. Analysis of areas at risk of opportunistic behaviour and unethical conduct. Such analysis should be based on interviews, questionnaires, and focus groups on: the decision context / opportunistic conduct / opportunism effects / ethical principles.</li> <li>4. Making standards of conduct explicit for each class of potentially opportunistic behaviour. A standard of conduct must be formulated as a precautionary conduct duty. This enables internal and external stakeholders to check the correspondence between actions and the Code of Ethics principles. If the conduct complies with the precautionary standard, it is assumed that the relevant ethical principle has been fulfilled in a risk area.</li> <li>5. Participative approach: the Code of Ethics is a self-regulation measure, not an imposition of rules, so that participation in the drafting phase makes sharing and implementation psychologically easier. The Code of Ethics partly 'invents' and partly 'reproduces' the principles on which a shared culture is founded. Compliance is based on voluntary agreement by the company workforce. The contractualistic approach applies the idea of a hypothetical agreement wherein the Code of Ethics' principles and standards correspond to those rules that every rational individual would accept: the Code imposes conditions to which every rational stakeholder would agree.</li> </ol>

*The Code of Ethics should include – for any stakeholder – the information that enables the development of procedures and standards of behaviour with respect to – at least – the following aspects:*

<b>Employees/People</b>	<ul style="list-style-type: none"> <li>Selection and promotion</li> <li>Fairness in on-the-job relationships</li> <li>Work organisation</li> <li>Updating and training</li> <li>Participation in decision making</li> <li>Respect</li> <li>Protection of privacy, poverty and harassment</li> <li>Conflicts of interest</li> <li>Equal opportunities</li> <li>Health and safety protection</li> <li>Rewards and benefits</li> <li>Use of business resources</li> </ul>
<b>Customers/ Consumers</b>	<ul style="list-style-type: none"> <li>Fairness and comprehensiveness in stipulating contracts</li> <li>Responsiveness to customer/consumer needs</li> <li>Fairness in the management and re-negotiation of contracts</li> <li>Quality control</li> <li>Conflicts of interest</li> <li>Impartiality</li> <li>Privacy</li> <li>Perks and extra-salary benefits</li> </ul>
<b>Suppliers and partnerships</b>	<ul style="list-style-type: none"> <li>Fairness and completeness of information</li> <li>Fairness in contract re-negotiation</li> <li>Fairness in contract execution</li> <li>Conflicts of interest</li> <li>Impartiality</li> <li>Privacy</li> <li>Rewards and benefits</li> </ul>
<b>Shareholders/Property /Partners (Executives, Officers, Affiliates)</b>	<ul style="list-style-type: none"> <li>Trust</li> <li>Fairness and genuineness</li> <li>Conflicts of interest</li> <li>Improper use of a company's opportunities</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>Protection of brand recognition</li> <li>Collaborators</li> <li>Measures against distorting and predatory behaviour</li> <li>Anti-cartel measures</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Environment protection</li> <li>Environmental impact</li> <li>Choice of the place and methods of production</li> </ul>
<b>State and Institutions</b>	<ul style="list-style-type: none"> <li>Relationships with control and regulation bodies</li> <li>Fiscal obligations</li> <li>Relationships with public authorities</li> <li>Lobbying</li> <li>Anti-corruption norms</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Corporate citizenship</li> <li>Community investments</li> <li>Stakeholder involvement</li> <li>Relationships with foundations and cultural associations</li> <li>Social impact</li> <li>Relationships with the mass media</li> </ul>

## ***Ethical training***

<b>Content</b>	<p>A variety of disciplines from business ethics to sociology, law, and the economic theory of organisations are involved in ethical training.</p> <p>A business ethics training programme should furnish answers to the following questions:</p> <ul style="list-style-type: none"> <li>- <i>What is ethics?</i> – Discussion of different ethical theories: teleological, deontological, consequential theories, etc.;</li> <li>- <i>Who are the company's stakeholders?</i> Stakeholder theory: definition of a stakeholder and identification of the key stakeholder groups for the company;</li> <li>- <i>Who has morally responsibility in the firm?</i> – Corporate moral responsibility and managers' professional ethics;</li> <li>- <i>What is the moral justification of the firm?</i> – The links between ethics and economic theory, the social contract, moral justifications for different corporate forms, corporate governance and fiduciary duties towards stakeholders;</li> <li>- <i>What is the advantage of being ethical?</i> – Discussion of the “business case” for business ethics; individual and general reasons for ethical conduct: reputation, interiorisation, incentives and sanctions;</li> <li>- <i>Who are we, ethically speaking?</i> – Corporate ethical vision and code of ethics, reputation advantages, mission, code principles and rules;</li> <li>- <i>How can a code of ethics be applied?</i> – Practical examples of implementing a code of ethics; and</li> <li>- <i>How can one comply with rules? How can one be ethical?</i> – Organisational tools for implementing and monitoring ethics within a company (Ethics Officer, Ethics Committee, Audit, Code of Ethics, etc.).</li> </ul>
<b>Development methodology</b>	<p>Training is a process which enables corporate members to understand and apply the Q-RES management model and the ethical and social responsibility tools.</p> <p>Ethics training is effective if:</p> <ul style="list-style-type: none"> <li>✓ Its aims and purposes are clearly communicated: training improves individual skills within an organisational learning and change process; the commitment thereto of senior management must be clearly communicated as well;</li> <li>✓ A participative training approach is adopted: this implies dialogue and discussion on case-studies (team projects, focus groups, problem solving, analysis and solution of dilemmas, etc.);</li> <li>✓ It is supported by specific teaching tools (decision-making workshops, role-plays etc.) for the development of decision-making skills based on ethics.</li> </ul> <p>To achieve the above goals the company should:</p> <ul style="list-style-type: none"> <li>✓ Plan training courses in timely and regular manner: ethics training must follow a certain schedule if it is to support the adoption and implementation of ethical and social responsibility tools;</li> <li>✓ Organise a permanent training programme for all employees (including new recruits) which ensures their active involvement and participation, as well as supporting the management in new situations engendered by changes in organisational structure (mergers, acquisitions, etc.) or in the company's external environment (globalisation, multiculturalism, etc.);</li> <li>✓ Constantly discuss critical areas and develop and adjust teaching tools;</li> <li>✓ Periodically revise the training programme, adapting and improving it, for instance in response to information furnished by the internal ethical auditing report.</li> </ul>

## ***Organisational Systems of Implementation and Control***

<p><b>Content</b></p>	<p><b><i>Implementation and control systems:</i></b></p> <p>Ethics Committee: a corporate body made up of representatives of the different functions and external members - usually experts in business ethics or independent "sages" appointed by the Board of Directors or by the CEO - able to furnish a neutral and impartial point of view;</p> <p>Ethics Officer: responsible for corporate ethical matters (development and implementation of the Code of Ethics; development of ethical training programmes; replies to employees' ethical questions, etc.);</p> <p>Internal Ethical Auditing: an independent and objective assurance and support activity intended to improve the organisation's effectiveness and efficiency. It helps the organisation pursue its objectives through a systematic approach, generating added value in that it evaluates and improves control, risk management and corporate governance processes. Internal ethical auditing is an extension of the traditional activities of financial and operational audit. Moreover, each manager is directly responsible for monitoring compliance with corporate ethics in the activities under his/her direction.</p> <p><i>Internal reporting systems:</i> internal systems enabling employees to ask questions (e.g. through an Ethics Helpline) and notify the bodies responsible, usually the Ethics Officer, of potential breaches of the code of ethics or risky conduct, and enabling external stakeholders to 'voice' their concerns regarding unethical conduct by company representatives (e.g. via an Ethics Hotline).</p> <p><i>Incentives and sanctions system:</i> a rewards and sanctions mechanism which fosters the implementation of social and ethical policies and procedures by all company employees: for example, by having performance appraisals include assessment of compliance with the organisational rules of conduct and individual fulfilment of the Code of Ethics values and principles.</p>
<p><b>Development methodology</b></p>	<p>The methodology used to develop an organisational implementation and control infrastructure for social and ethical quality must be both a top-down and bottom-up process.</p> <p>1. The top-down process concerns monitoring the alignment of organisational procedures and individual conduct with organisational rules and ethical principles. Given the ethical principles, the focus is on monitoring compliance. Thus ethics are monitored by dedicated staff structures which report to senior management (e.g. to the Managing Director and Board of Directors) – for instance, by extending internal auditing to monitoring and assessing areas of social and ethical risks. The aim of the top-down process is to reach reasonable assurance on: operational effectiveness and efficiency; financial book-keeping reliability; risk control and risk management; safeguarding of corporate assets; and observance of the law and internal regulations (Code of Ethics). The process involves:</p> <ul style="list-style-type: none"> <li>- auditing and controlling compliance with rules;</li> <li>- auditing compliance with written procedures and tacit routine procedures;</li> <li>- collecting information on conduct compliance through audit activities;</li> <li>- heeding warnings;</li> <li>- conducting investigations; and</li> <li>- proposing sanctions and corrective actions.</li> </ul> <p>2. The bottom-up process concerns the integration of social and ethical responsibility principles and criteria within the strategic and operational management of the company, the purpose being to enrich business objectives in light of the ethical vision. The focus is on ensuring consistency between results and the ethical vision: that is, on assessing and measuring the company's social and ethical performance (e.g. on the basis of <i>social and ethical KPIs - Key Performance Indicators</i>).</p> <p>The ethical infrastructure must furnish better understanding of the impacts of business decisions in relation to the company's principles. When business objectives have been clarified and enriched with the ethical vision, the requirement to measure and report the company's ethical performance follows as a logical consequence.</p>

## Social and Ethical Accountability

<p><b>Content</b></p>	<p>The Social Report contains information on:</p> <ul style="list-style-type: none"> <li>- Corporate identity: values, mission, business activity and governance structure;</li> <li>- Stakeholders;</li> <li>- Strategies, policies and objectives in relation to the various stakeholder groups;</li> <li>- Performance measures (by stakeholder group), including various kinds of quantitative and qualitative data (book-keeping, organisational, economic, environmental, legal, social, etc.); and</li> <li>- Linkages between objectives set and results achieved.</li> </ul> <p>In order to achieve good quality in social and ethical accounting and reporting, the following conditions should be fulfilled:</p> <p><i>Structure consistency:</i> the Social Report structure must enable the reader to recognise the consistency of the process linking the company's ethical vision to its social and ethical performance. This includes: stating the corporate ethical vision and its commitments towards stakeholders, specifying the relevant corporate policies, and setting out objectives and KPIs with which to measure performance and assess alignment between objectives set and results actually achieved;</p> <p><i>Information integration:</i> information should be organised so that each stakeholder group receives a summary stating relevant social and ethical performance results. These should be summarised in the form of KPIs expressing the extent to which legitimate stakeholder expectations have been satisfied;</p> <p><i>Information quality:</i> data should be true, verifiable, comparable, meaningful, clear and understandable; and</p> <p><i>Stakeholder map completeness:</i> a Social Report should usually disclose information on company impacts on the fundamental stakeholder groups. Every omission should be justified.</p>
<p><b>Development methodology</b></p>	<p>The production of a Social Report requires the establishment of organisational systems which collect and analyse information on the company's social and ethical performance. It moves through the following stages:</p> <ol style="list-style-type: none"> <li>1. Establishing a working group and nominating a coordinator responsible for the entire process;</li> <li>2. Defining reporting objectives and improvement targets;</li> <li>3. Initiating a stakeholder engagement process, in order to: <ul style="list-style-type: none"> <li>– Assess the satisfaction level of different stakeholder groups in relation to their expectations, applying scientifically accepted and unbiased social research methodologies;</li> <li>– Collect testimonies from external experts and representatives of the company's stakeholders, and report these truthfully, even if they differ from the company's view;</li> </ul> </li> <li>4. Defining/updating KPIs: these must in part refer to accepted international and national standards enabling meaningful benchmarking, and in part they must be specifically developed, so that they reflect the specificity of the business and the company's social and ethical responsibilities;</li> <li>5. Identifying corporate sources of information and defining a data collection methodology;</li> <li>6. Drawing up a document;</li> <li>7. Defining a communication plan: since the social balance sheet is a transparency tool, it is important that stakeholders to have access to information; and</li> <li>8. External verification by a social auditor.</li> </ol>

*The Social Report should render the organisation accountable to its stakeholders with respect to the commitments and requirements set out in the Code of Ethics. It should comply with those methodologies and standards that are nationally and internationally accepted.*

### **External Verification**

<b>Content</b>	<p>For external verification to be effective, it is essential to:</p> <ul style="list-style-type: none"> <li>- Define excellence criteria for each management tool in the Q-RES model;</li> <li>- Identify auditing evidence which enables in practice the collection and assessment of corporate social and ethical performance;</li> <li>- Apply methodologies for evidence collection and analysis enabling identification of gaps between the actual implementation of the Q-RES tools within the company and the excellence criteria defined by the Q-RES model.</li> </ul>
<b>Development methodology</b>	<p>The external auditing activity develops according to the following procedures: the company contacts competent, qualified and accredited organisations; the external auditors start the auditing process by checking consistency between the Q-RES tools adopted by the company and the Q-RES excellence criteria; the auditors suggest actions necessary to meet quality requirements and, if the requirements are met, issue the Q-RES certification.</p> <p>The issue of Q-RES certification requires definition of:</p> <ol style="list-style-type: none"> <li>(a) Norms assimilating the Q-RES Guidelines;</li> <li>(b) Auditing evidence relative to excellence criteria and quality standards;</li> <li>(c) The Association possessing the Q-RES certificate;</li> <li>(d) Accreditation procedures for organisations providing external verification.</li> </ol> <p>The external auditor carries out the following tasks:</p> <ol style="list-style-type: none"> <li>1. Requests the relevant internal managers (Ethics Officer, Ethics Committee, Ethical Auditor etc.) to furnish accounts and reports on Q-RES activities and tools;</li> <li>2. Requests specific relevant documents and information (evidence);</li> <li>3. Conducts surveys (questionnaires, interviews etc.) among stakeholders;</li> <li>4. Analyses and organises the information collected (comparison between excellence criteria and evidence);</li> <li>5. Evaluates data truthfulness and consistency;</li> <li>6. Evaluates data relevance according to quantitative and qualitative social and ethical performance indicators;</li> <li>7. Formulates an impartial and fair opinion (impartiality of judgement);</li> <li>8. Formulates an objective judgement not depending on external comments (freedom of judgement);</li> <li>9. Formulates a valid and professional judgement (validity and professionalism);</li> <li>10. Points out inconsistencies;</li> <li>11. Proposes improvements in the implementation of Q-RES tools, if necessary.</li> </ol>

## **0.4 Relationship with other management systems and with ISO 9000**

The Q-RES management system for ethical and social responsibility has a structure and an index similar to those already developed in other fields of application (Quality, Environment, and Security). Since all of the management systems appear to have unique formats, in order to make their harmonisation as simple as possible, the Q-RES norm draws on the management system approach typical of the ISO 9000 norm in

its latest version, that is, the 2000 edition. In fact, the Q-RES process-based management system model for continuous improvement builds on the ISO9000 norm, as shown in Figure 2. This model complements the tools necessary for its implementation (see Figure 1) and gives rise to an organisation management system geared to continuous improvement. This is accomplished by drawing on the principles and processes already identified by the ISO9000 norm, and by clarifying the relationship between the latter and the six Q-RES management instruments. The principles, processes, and ways in which they are connected, represent the various chapters of this norm, and will consequently be dealt with extensively in what follows.

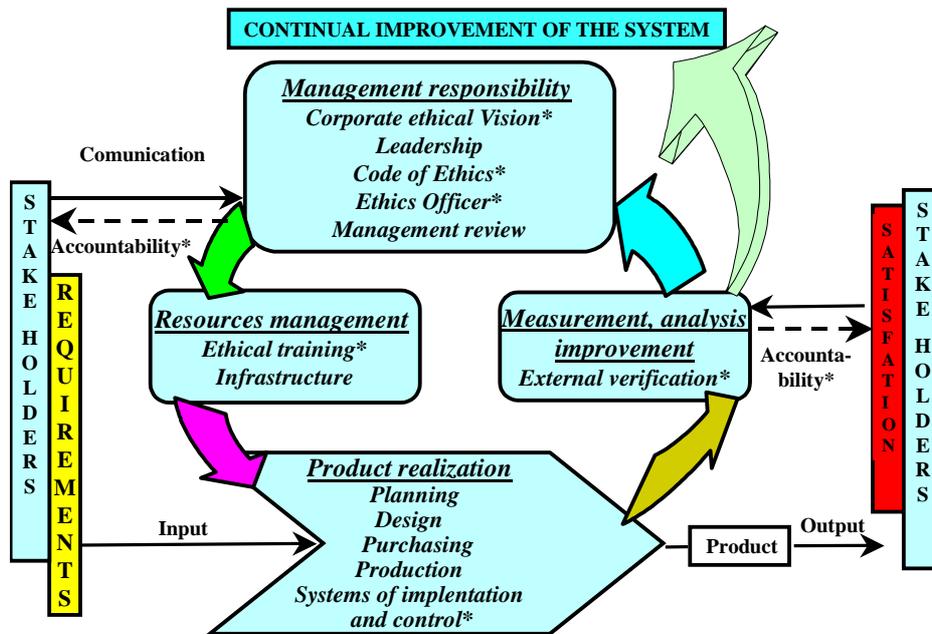


Fig. 2

## 1 SCOPE

This document specifies the requirements of an organisation management system for ethical and social responsibility. The prescriptive aspects of the Q-RES management system – on which the external control procedures are based - are specified in the box below. All of the requirements included in this document are general in scope and can be implemented in any organisation regardless of its type of activities or size.

## 2 NORMATIVE REFERENCES

- ISO 9000: 2000 Quality management systems. Guidelines for performance improvements
- GBS (Gruppo di studio sul Bilancio Sociale)
- SA 8000 Social Accountability
- GRI Guidelines - Global reporting Initiative
- AA1000 AccountAbility 1000

## 3 TERMS AND DEFINITIONS

<b>Senior management</b>	Person or group of persons directing and controlling an organisation at the highest level.
<b>Audit</b>	Systematic, independent and documented process with which to obtain audit evidence and evaluate whether the Q-RES management system of an organisation

	complies with the criteria defined by the organisation itself for the audit of the Q-RES management system, and to communicate the outcomes of this process to the management committee.
<b>Corrective action</b>	Action to eliminate the cause of a detected nonconformity or some other undesirable situation.
<b>Preventive action</b>	Action to eliminate the cause of a potential nonconformity or some other undesirable potential situation.
<b>Code of Ethics</b>	The Code of Ethics is a self-regulation tool extending the scope of corporate governance. The code extends the governance rules that apply to relations with shareholders and investors to the company's broader relations with all its stakeholders. Therefore, by means of its code of ethics, the company defines the fiduciary duties that it undertakes with respect to all stakeholders.
<b>Conformity</b>	Fulfilment of requirements.
<b>Corporate Citizenship</b>	Those progressive actions that the organisation performs in order to improve the human and social development of the communities in which the organisation itself operates.
<b>Document</b>	Information and its support medium.
<b>Effectiveness</b>	Extent to which planned activities are realised and the planned results achieved. Note: in the Q-RES model, effectiveness is the outcome whereby "The organisation pursues its Mission by respecting the social contract with all its stakeholders, i.e. in such a way as to satisfy their legitimate expectations. Effectiveness is constituted by coherence between results obtained and fulfilment of the mission".
<b>Efficiency</b>	Relationship between the result achieved and the resources used. Note: in the Q-RES model, efficiency is the outcome whereby " The organisation provides incentives able to motivate all stakeholders contributing to fulfilment of the Mission to invest their resources ( managerial, financial, intellectual, physical) in such a way that the maximum surplus between costs and benefits is achieved. Stakeholders that do not directly contribute to fulfilment of the Mission but are affected by the organisation's activities should be enabled to invest the appropriate amount of trust in the organisation".
<b>Objective evidence</b>	Data supporting the existence or occurrence of a phenomenon.
<b>Ethical Training</b>	Set of activities designed for the collaborators of an organisation and intended to enable each of its members to master the basic ethical reasoning tools with which to discuss and tackle the ethical dilemmas linked with business operations.
<b>Management</b>	Coordinated activities to direct and control an organisation.
<b>Q-RES management</b>	Coordinated activities to direct and control an organisation with regard to social and ethical responsibility.
<b>Lobbying</b>	Activity to promote the organisation's legitimate interests with local/national government representatives, and public sector authorities.
<b>Continual improvement</b>	Recurring activity intended to enhance the ability to fulfil requirements.
<b>Nonconformity</b>	Non-fulfilment of a requirement.
<b>Q-RES Objective</b>	Something sought or aimed at in relation to Q-RES standards.
<b>CSR Objective</b>	Note 1 Q-RES objectives are based on the Code of Ethics. Note 2 Q-RES objectives are generally specified for relevant functions and levels in the organization.
<b>Organization</b>	Group of persons and facilities with an array of responsibilities, authorities and relationships.
<b>Interested party</b>	Person or group with an interest in the performance or success of the organisation. See Stakeholder.
<b>Planning</b>	An aspect of management focused on setting objectives and specifying the operational processes and related resources necessary to fulfil objectives.
<b>Procedure</b>	A specified way to carry out an activity or a process. Note 1 Procedures may or may not be documented. Note 2 When a procedure is documented, the term "written procedure" or

	“documented procedure” is frequently used. The document setting out a procedure may be called a “procedure document”.
<b>Process</b>	A set of interrelated or interacting activities which transform inputs into outputs.
<b>Record</b>	A document stating the results achieved or providing evidence of activities performed.
<b>Accountability</b>	A system for measuring and collecting, organising and communicating information about the impact of the organisation’s activities on the welfare of the various stakeholders.
<b>Requirement</b>	A need or expectation that is stated, generally implied or obligatory .
<b>Review</b>	An activity undertaken to determine the suitability, adequacy and effectiveness of the subject with regard to the achievement of established objectives.
<b>Organisational system of implementation and control</b>	The ethics infrastructure for effective execution of corporate ethical and social responsibility.
<b>Q-RES management system</b>	The general management system comprising the organisational structure, planning activities, responsibilities, procedures, processes, resources required to enable an organisation attain ethical and social goals.
<b>Stakeholders’ satisfaction</b>	Stakeholders’ perceptions of the extent to which their legitimate wants and expectations have been fulfilled.
<b>Stakeholder</b>	The literature provides the following definition of stakeholder: “Those groups of individuals, or institutions representative of collective interests, which have “a stake” in the way an organisation is managed, either because they exchange or provide an input of some kind, but key to the organisation, or because they are substantially affected – in terms of their welfare – by the outcomes of the organisation’s activities.
<b>Organisational structure</b>	System of responsibilities, authorities and relationships among people.
<b>External verification</b>	Activities undertaken by an independent third party in order to make the organisation’s statements concerning its ethical-social responsibility commitments credible.
<b>Ethical Vision</b>	A criterion balancing the legitimate claims of stakeholders, so that all of them consider that they have been treated justly in that they have obtained a fair return on the investment made. The ethical vision represents the idea of justice characteristic of a particular organisation, from which the criteria of assessment and balancing among the stakeholders’ claims are derived. The set of responsible behaviours that the organisation must adopt to fulfil its stakeholders’ interests are also based on its ethical vision.

## **PART B**

# **Management system for the social and ethical responsibility of organisations**

*The corporate management system for ethical and social responsibility implements the Q-RES strategic management model – in all of its different phases, and throughout the entire business system – through definition of the related activities and responsibilities.*

*The Q-RES management system defines a global corporate management system in which (a) the basic Principles (Part B - 4.3 ) and (b) the contents of the Code of Ethics (Part A ) as applying throughout the business system; (c) the executive board's responsibilities (Part B - 5); (d) the acquisition and management of the resources ( Part B - 6) necessary for production (Part B - 7); and (e) measurement, analysis and improvement ( Part B - 8) drive the organisation toward a strategic management geared to the continuous improvement of ethical and social performance.*

## **4. MANAGEMENT SYSTEM FOR THE CORPORATE SOCIAL AND ETHICAL RESPONSIBILITY (Q-RES MANAGEMENT SYSTEM) OF ORGANISATIONS**

### **4.1 Adoption and use of social and ethical responsibility tools (Q-RES tools) and management systems and processes**

If an organisation is to be run successfully, it must be managed in systematic and transparent manner. Success results from implementing and maintaining a management system designed constantly to improve, besides effectiveness and efficiency, the fairness of the organisation's performance and behaviours: an outcome pursued by balancing the legitimate expectations of its stakeholders. Managing an organisation, therefore, should satisfy principles of ethical and social responsibility in the relationship with stakeholders.

By 'Q-RES management system' is meant a general management system within the organization which rests on the criteria of ethical and social responsibility as defined by the Q-RES model.

Senior management should apply a multi-stakeholder approach:

- a) by adopting and using the Q-RES tools and by defining systems related to CSR which can be clearly understood, managed and improved with effectiveness, efficiency as well as fairness;
- b) by ensuring the effective and efficient operation and control of the Q-RES tools and processes, and the measures and data used to determine whether the organisation's ethical and social responsibility can be deemed satisfactory;

Examples of activities with which to establish a stakeholder-oriented organisation are:

- adopting, using and promoting the Q-RES tools and processes that yield improved organisational performance,
- acquiring, processing and using on a permanent basis data and information deriving from Q-RES tools and management processes
- directing progress towards continual improvement,
- using suitable methods to evaluate process improvement when implementing the Q-RES tools and processes, such as self-assessments and management review.

#### ***Q-RES Standard and Guidelines to improve the organisation's ethical-social performance***

### **4 Management system for corporate ethical-social responsibility (the Q-RES management system)**

#### **4.1 General requirements**

The organisation shall establish, document, implement and update its management system with a view to ethical-social responsibility (the Q-RES management system), founding it on principles (the Q-RES principles) and implementing ethical-social tools (the Q-RES tools), and improving its effectiveness in accordance with the requirements of this standard.

The organisation shall:

- a) be consistent with the principles (the Q-RES principles)
- b) adopt the Q-RES tools needed to develop the Q-RES management system and identify the operational processes needed to apply them throughout the organisation,
- c) determine the sequences and interactions amongst Q-RES tools and processes ,
- d) determine the criteria and methods needed to ensure that both the operation and control of Q-RES tools and processes are effective,
- e) ensure the availability of the resources and information necessary to support the operation and monitoring of Q-RES tools and processes,
- f) monitor, measure and analyse Q-RES tools and processes,
- g) undertake the actions necessary to achieve planned results and continual improvement.

The Q-RES tools and processes shall be managed by the organisation in accordance with the requirements of this standard.

Should an organisation choose to outsource any process affecting the Q-RES tools' conformity with the requirements of this standard, the organisation shall ensure that its control is maintained over such processes and that the Q-RES tools conform with requirements.

Note 1 Processes needed for the Q-RES management system referred to above, including the Q-RES tools, should contain processes for management activities, provision of resources, product realization and measurement.

## 4.2 Documentation

The organisation management should furnish the documentation needed to define, implement and update the Q-RES management system.

The nature and extent of the documentation should satisfy contractual and binding requirements and the legitimate requirements and expectations of stakeholders concerning information. The documentation should also fit the organisation itself and use the format most suitable for the organisation.

In order to provide documentation, management should consider:

- contractual requirements vis-à-vis stakeholders,
- international, national, regional and industry sector standards,
- relevant statutory and regulatory requirements,
- decisions by the organisation,
- sources of external information,
- information about the needs and legitimate expectations of the stakeholders.

The generation, use and control of documentation should be evaluated with respect to the fairness, effectiveness and efficiency of the organisation against criteria such as:

- functionality ,
- user friendliness,
- resources needed,
- the Code of Ethics and objectives,
- current and future requirements related to CSR knowledge,
- benchmarking of documentations systems,
- interfaces used by the stakeholders.

According to the transparency and accountability principle, access to documentation should be ensured to the organisation's stakeholders.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### 4.2 Documentation requirements

#### 4.2.1 General

The Q-RES management system documentation shall include:

- a) documented declarations on the organisation's ethical principles and values (both general and Q-RES principles specific to the organisation),
- b) a Q-RES management system manual,
- c) documented procedures required by this standard,
- d) documents needed by the organisation to ensure the effective planning, operation and control of Q-RES tools and processes,
- e) records required by this standard.

Note 1 Where the term "documented procedure" appears within this Standard, it signifies that the procedure is established, documented, implemented and maintained.

Note 2 The extent of the Q-RES management system documentation may differ from one organisation to another due to:

- a) the size and legal personality of the organisation and its type of activity,
- b) the complexity of processes and their interactions,
- c) the competence of personnel .

#### **4.2.2 Q-RES management system manual**

The organisation shall establish and maintain a Q-RES management system manual that includes:

- a) the scope of the Q-RES management system, including details of and justification for any exclusions,
- b) the documented procedures established for the Q-RES management system, or reference to them,
- c) a description of the interaction between the Q-RES tools and the processes of the Q-RES management system .

#### **4.2.3 Control of documents**

Documents required by the Q-RES management system shall be controlled. Records are a special type of document and shall be controlled according to the requirements set out in 4.2.4

A documented procedure shall be established to define the controls needed:

- a) to approve documents for suitability prior to issue,
- b) to review and update as necessary and re-approve documents,
- c) to ensure that changes and the current revision status of documents are identified,
- d) to ensure that relevant versions of applicable documents are available at points of use,
- e) to ensure that documents remain legible and readily identifiable,
- f) to ensure that documents of external origin are identified and their distribution controlled,
- g) to prevent the unintended use of obsolete documents, and to apply suitable identification to them if they are retained for any purpose.

#### **4.2.4 Control of records**

Records shall be established and maintained to provide evidence of conformity to requirements and of effective operation of the Q-RES management system. Records shall be legible, readily identifiable and retrievable. A documented procedure shall be established to define the controls needed for the identification, storage, protection, retrieval, retention in time and disposition of records.

### **4.3 The principles of ethically and socially responsible management (Q-RES principles)**

Running an organisation in accordance with the Q-RES model for ethical and social responsibility requires comprehensive and transparent management based on the following principles derived from the Q-RES strategic management model and applied to the strategic management system. They clarify the corporate ethical vision and require compliance and documentation. These principles have been developed for use by chief executives in leading their organisations towards continuous improvement: From the ideal of the social contract the Q-RES Standard has identified the following general principles of a CSR management system:

**Social contract** – The organisation conceive and operationalise its own Mission in light of the implicit social contract with stakeholders. The social contract is an ideal autonomous, free and rational moral agreement amongst all stakeholders. It is an unanimous agreement, accepted by all stakeholders in view of the satisfaction of their legitimate expectations of well-being. The organisation is entrusted by the

social contract to fulfil its own Mission, under the fiduciary duty towards all stakeholders that it will fulfil it with *effectiveness*, *efficiency* and *fairness*. Hierarchical relations based on authority and contractual relations, particularly when re-negotiations take place, should be guided by the social contract principle, i.e. apply what the parts would autonomously and rationally accept.

***Effectiveness*** - The organisation pursues its Mission by respecting the social contract with all its stakeholders, i.e. in such a way to satisfy their legitimate expectations. Effectiveness is expressed by coherence between results obtained and fulfilment of the Mission.

***Efficiency*** - The organisation provides the incentives able to motivating all stakeholders who contribute to the fulfilment of the Mission to invest their resources (managerial financial, intellectual, physical) in such a way that generates the maximum surplus between costs and benefits. Stakeholders who do not directly contribute to the fulfilment of the Mission but are affected by the organisation's activities should be enabled to invest the right amount of trust towards the organisation.

***Fairness*** - The organisation must ensure to each of its stakeholders a fair share of the benefits generated – i.e. a level that would rationally and autonomously accepted by all parts as proportional to the contributions and expectations of everyone. Moreover, the organisation is committed to protect stakeholders from opportunistic behaviour and to reward cooperation.

***Just conduct*** - The organisation is committed to respect and enforce the principles of the social contract with its stakeholders and to prevent that situations of inequality of information, power and lead to outcomes that would be unacceptable from a social contract point of view.

***Transparency*** - The organisation must be able to give explanation and justification its actions and relevant omissions concerning the respect of the commitments towards its stakeholders. The organisations is committed to provide information enabling stakeholders to judge the coherence between outcomes achieved by the organisations and its commitments.

***Honesty*** - The organisations is committed to respect the laws and the social contract principles with all its stakeholders.

***Responsiveness and Accountability*** - The organisation is committed to respond and be accountable to its stakeholders, and is willing to be judged with regard to the respect of the social contract principles with its stakeholders.

***Stakeholder dialogue and engagement*** - The organisation apply leadership to build relationships of trust with its stakeholders; take care to establish two-ways communication with stakeholders and allow them to give voice to their concerns, expectations and opinions without fear or restrictions. Stakeholders who are enabled to understand decisions, participate in the decision-making processes and give voice to their opinions can contribute to improving the social and ethical performance of the organisation.

***Trust and good reputation*** - The organisation recognises to have a fiduciary mandate to pursue the Mission on behalf of all its stakeholders. Maintaining trust is fundamental to ensure cooperation among stakeholders, which is necessary to fulfil the Mission in an effective, efficient and fair way. The organisation protect and increase its reputation by operating in the respect of the social contract principles

***Continuous improvement*** – Continuous improvement of overall organisational performance should be a constant objective of the organisation

***Leadership*** – The top management defines the organisation strategy and ensure coherence of intentions to improve the organisational social and ethical responsibility. It should create and foster an internal and external environment encouraging stakeholder engagement in the definition and pursue of organisational objectives.

## 5 MANAGEMENT RESPONSIBILITY

### 5.1 General guidance

#### 5.1.1 Introduction

Leadership, commitment and the active involvement of senior management are essential for developing and maintaining an effective, efficient and fair Q-RES management system which fulfils the stakeholders' expectations and creates reputation for the organisation. To this end, the organisation's stakeholders must be mapped and their expectations, preferences and needs acknowledged, understood and fairly balanced. Senior management should consider actions such as the following:

- consider the phases of strategic management for ethical and social responsibility (Q-RES model) and take up the relative tools, that is, ethical vision, code of ethics, ethical training, organisational systems of implementation and control, ethical and social accountability and external control;
- manage the organisation by setting a good example in (a) honouring commitments toward stakeholders (fiduciary obligations) and (b) carefully and fairly balancing their expectations; (c) complying with the Q-RES principles; (d) being consistent with respect to the goals, the ethical vision and the Code of Ethics; (e) being fair and trustworthy; (f) avoiding conflicts of interest; (g) delegating authority.
- communicate the organisation's strategies and commitment to ethical and social responsibility (ethical commitment), on the grounds of the identification of the stakeholders;
  - establishing Q-RES tools consistent with the organisation's purpose,
  - leading the organisation by example, with respect to commitment, in order to develop stakeholders' trust,
  - communicating organisational direction and ethical commitment,
  - participating in improvement projects, searching for new methods, solutions to ethical dilemmas,
  - obtaining from those responsible for ethics in the organisation feedback on the effectiveness, efficiency and fairness of the Q-RES management system,
  - identifying the organisational processes that create value added for the CSR and the organisation's reputation,
  - creating an environment that encourages the involvement of stakeholders,
  - furnishing the necessary facilities and resources.

Senior management should also define methods for measuring the organisation's performance in order to determine whether ethical principles (Q-RES principles) and planned objectives have been achieved.

Such methods include:

- financial measurement together with the measurement of ethical and social aspects,
- measurement of Q-RES tools performance and of process performance throughout the organisation,
- external measurement, such as benchmarking and third-party evaluation,
- assessment of fulfilment of stakeholders' expectations and a fair balance among them,
- assessment of stakeholders' perceptions concerning the organisation's ability to ensure coherence between commitment and performance (reputation),
- measurement of other success factors identified by management.

The information yielded by such measurements and assessments should also be used as input to management review in order to ensure that continual improvement of the Q-RES management system drives the CSR improvement of the organisation.

### 5.1.2 Issues to be considered

When developing, implementing and managing the organisation's Q-RES management system, the management should consider the Q-RES principles outlined in 4.3.

On the basis of these principles, senior management should demonstrate ethical leadership in, and commitment to, the following activities:

- understanding and fairly balancing current and future stakeholders' needs and expectations,
- promoting policies and objectives to increase awareness, motivation and involvement of the organisation's members,
- establishing continual improvement as an objective for organisational processes,
- planning for the organisation's future, and managing change,
- setting and communicating ethical criteria to achieve stakeholder satisfaction.

In addition to small-step or on-going continual improvement, senior management should also consider breakthrough changes to processes as ways to improve the organisation's performance. When such changes are made, management should take steps to ensure that the resources and communication needed to maintain the functions of the Q-RES management system are provided.

Senior management should identify the organisation's product/service realization processes, as these are directly related to the organisation's ethical performance. Senior management should also identify those support processes that affect the effectiveness, efficiency and fairness of processes or the expectations of stakeholders.

Management should ensure that processes operate in the form of a transparent, effective and efficient network. Management should analyse and optimise the interaction among processes, including both realization processes and support processes.

Consideration should be given to:

- ensuring that the sequence and interaction of processes are designed so that they achieve the results desired,
- ensuring that process inputs, activities and outputs are clearly defined and controlled,
- monitoring inputs and outputs in order to verify that individual processes are linked and operate effectively and efficiently,
- identifying and managing ethical risks, and exploiting performance improvement opportunities,
- conducting data analysis to facilitate continual improvement of processes,
- identifying process owners and giving them full responsibility and authority,
- managing each process to achieve the process objectives,
- the needs and expectations of stakeholders.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

## **5 Management responsibility**

### **5.1 Management commitment**

Senior management shall provide evidence of its commitment to the development and implementation of the Q-RES management system and to continually improving its effectiveness by:

- a) identifying stakeholders and communicating the importance of balancing their stakeholders' expectations,
- b) defining the Code of Ethics and the other Q-RES tools,
- c) assuring the definition of the CSR objectives and their integration among the organisation's overall objectives,
- d) conducting management reviews,

e) ensuring the availability of resources.

Dialogue with stakeholders is important in this process.

A documented procedure should exist and it should include the following aspects:

- 1) Trust
- 2) Confidence and honesty
- 3) Conflicts of interest

## 5.2 Needs and expectations of the stakeholders

### 5.2.1 General

Every organisation has stakeholders that harbour needs and expectations. The interested parties of organisations include

- customers and end-users,
- members of the organisation,
- owners/investors (such as shareholders, individuals or groups, including the public sector, with a specific interest in the organisation),
- suppliers and partners,
- society, in terms of the community and the public affected by the organisation or its products.

### 5.2.2 Needs and expectations

The success and reputation of an organisation depend on the understanding and satisfaction of its stakeholders' current and future needs and expectations, as well as on its ability to handle the growing complexity of relationships with all of them.

As many expectations are legitimate but sometimes conflicting, it is necessary (partially or completely) to recognise them by defining an ethical balancing criterion so that all stakeholders know that they have been fairly treated by being allocated a fair remuneration based on their investment. It is thus necessary to strike the correct balance among the legitimate claims of stakeholders.

In order to understand and meet the needs and expectations of stakeholders, an organisation should

- identify its stakeholders and maintain a balanced response to their needs and expectations (multi-stakeholder approach and ethical criteria of balancing),
- treat all stakeholders fairly,
- translate the needs and expectations identified into requirements,
- communicate these requirements throughout the organisation,
- focus on process improvement in order to ensure value for the stakeholders.

The definition of the criterion used to balance the expectations and needs of stakeholders occurs derives from the corporate ethical vision (See CORPORATE ETHICAL VISION).

Senior management is responsible for the final release and the official version of the mission, values and ethical vision. The commitment and involvement of senior management is vital for the mission, values and corporate ethical vision to be defined and communicated.

### *Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### 5.2.2 Stakeholders focus

Senior management shall ensure that customer requirements are determined and met with a view to enhancing customer satisfaction.

Senior management, in order to satisfy the stakeholders' legitimate expectations, should adopt the

ethical criterion of a social contract ensuring the fair balance of those expectations and thereby increase the stakeholders' trust.  
(See 7.2.1 and 8.2).

### 5.2.3 Statutory and regulatory requirements

Management should ensure that the organisation is familiar with the statutory and regulatory requirements that apply to its activities, products, and processes, and it should incorporate such requirements into the Q-RES management system. Consideration should also be given to

- the promotion of ethical, effective and efficient compliance and prospective requirements,
- the benefits stakeholders from exceeding compliance,
- the organisation's role in protecting community interests.

### 5.3 Code of Ethics

Senior management should use the Code of Ethics as a means to lead the organisation toward improvement of its performance. The Code of Ethics should be part of the organisation's governance system and of its overall policies and strategy.

Senior management should consider

- the level and type of the future improvements necessary for the organisation to be successful,
- the needs and expectations of stakeholders,
- the corporate ethical vision,
- the resources necessary.

The Code of Ethics can yield improvement provided that

- it is included in and integrates with senior management's vision and strategy for the organisation's future,
- it demonstrates senior management's commitment and responsibility to stakeholders,
- it permits the organisation's objectives and commitments,
- it promotes commitment to CSR throughout the organisation, with clear leadership by senior management,
- it includes continual improvement relative to satisfaction of stakeholder needs and expectations,
- it is effectively formulated and efficiently communicated.

The Code of Ethics should be periodically reviewed.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **5.3 Code of Ethics**

Top management shall ensure that the Code of Ethics

- is appropriate to the purposes of the organisation,
- includes a commitment to stakeholder satisfaction and to constant improvement in the effectiveness of the Q-RES management system,
- includes two-directional communication with stakeholders
- provides a framework within which to establish and review commitments and responsibilities to stakeholders,
- is communicated and understood within and without the organisation,
- is reviewed for continuing suitability.

## 5.4 Planning

### 5.4.1 Objectives

The ethical vision and the Code of Ethics provide a template for definition of the organisation's various purposes (concerning the relationship with stakeholders, production, financial and economic goals etc.). Senior management should establish these purposes with a view to improving the organisation's performance. They should be measurable so that effective and efficient review by management is facilitated. When establishing these objectives, the management should also consider

- balance of current and future stakeholder expectations,
- relevant findings from management reviews,
- current Q-RES tools performance,
- levels of stakeholder satisfaction,
- self-assessment results,
- definition and updating of performance markers: these should partly refer to recognised international and national models in order to allow benchmarking, and partly be independently devised so that they respond more closely to the specific requirements of the organisation's ethical-social responsibility.
- identification of corporate sources and methods for information and data collection necessary to determine markers.
- the resources needed to meet the objectives.

The objectives should be communicated in such a way that they are understandable to the organisation's stakeholders, and those responsible for their achievement should be defined. Objectives should be systematically reviewed and revised as necessary.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### 5.4 Planning

#### 5.4.1 Objectives

Senior management should guarantee that, for each stakeholder, the Code of Ethics establishes specific commitments and goals in order to comply with the requirements deriving from the balancing criterion and the Ethical Vision. All goals (concerning production, organisation, finance etc.) should be measurable and consistent with the Code of Ethics and the Ethical Vision.

### 5.4.2 Q-RES management system planning

Management should take responsibility for planning the Q-RES management system. This planning should focus on implementing Q-RES tools and on the processes needed to meet the organisation's objectives effectively, efficiently and fairly, and satisfy stakeholders' expectations.

The inputs for effective and efficient planning include:

- the organisation's strategies,
- defined organisational objectives,
- defined stakeholder needs and expectations,
- evaluation of statutory and regulatory requirements,
- evaluation of data on performance by the tools,
- evaluation of data on process performance,
- lessons learned from previous experience,
- indicated opportunities for improvement, and
- related ethical risk assessment and mitigation data.

The outputs of planning for the organisation should define:

- knowledge needed by the organisation,
- responsibility and authority for implementing process improvement plans,
- resources needed, such as financial and infrastructural,
- yardsticks for evaluating the improvement in the organisation's performance,
- needs for improvement, including methods and tools, and
- needs for documentation, including records.

Management should systematically review the outputs to ensure the effectiveness, efficiency and fairness of the organisation's processes.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **5.4.2 Q-RES management system planning**

Senior management shall ensure that

- a) the planning of the Q-RES management system is carried out in a manner such that it fulfils the requirements stated in 5.2 and 5.3, as well as the objectives,
- b) the integrity of the Q-RES management system is maintained when changes to the quality management system are planned and implemented.

### **5.5 Responsibility, authority and communication**

#### **5.5.1 Responsibility and authority**

Senior management should define and then communicate responsibility and authority in order to implement and maintain an effective and efficient Q-RES management system.

People throughout the organisation should be given responsibilities and authority that enable them to contribute to the achievement of the objectives and to establish their involvement, motivation and commitment.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **5.5 Responsibility, authority and communication**

##### **5.5.1 Responsibility and authority**

Senior management shall ensure that responsibilities and authorities are defined and communicated within the organisation as well as outside it. Senior management should define the responsibilities and authorities related to implementation of Q-RES tools.

### 5.5.2 Ethics officer

(See SYSTEMS OF IMPLEMENTATION AND CONTROL )

A management representative should be appointed and given authority by senior management to stimulate, manage, monitor, evaluate and coordinate the Q-RES management system. The purpose of this appointment is to enhance the effective and efficient operation of, and to improve, the Q-RES management system. The Ethics Officer should report to senior management and communicate with stakeholders on matters pertaining to the Q-RES management system.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### 5.5.2 Ethics officer

Senior management shall appoint one of its members who, irrespective of other responsibilities, shall have responsibility and authority that includes

- a) ensuring that the processes needed for the Q-RES management system are established, implemented and maintained,
- b) reporting to senior management on the performance of the Q-RES management system and on any need for improvement, and
- c) ensuring promotion of awareness of stakeholder expectations throughout the organisation,
- d) stimulating, listening and giving advice to collaborators when ethical dilemmas arise.

Note 1 The responsibilities of this management representative may include liaison with external parties on matters relating to the Q-RES management system.

### 5.5.3 Communication

The management of the organisation should define and implement an effective and efficient process for communicating the Code of Ethics and the relevant systems for compliance with the Code itself, policies, procedures, norms, goals, plans, etc... Providing such information can foster the organisation's performance improvement and directly involves its members in achievement of objectives. Management should actively encourage feedback and communication from the organisation's members as a means to involve them.

Activities for communicating include, for example

- management-led communication in work areas,
- team briefings and other meetings, such as those for achievement recognition,
- notice-boards, in-house journals/magazines,
- audio-visual and electronic media, such as email and websites, and
- employee surveys and suggestion schemes.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### 5.5.3 Communication

Senior management shall ensure that appropriate communication channels are established within the organisation and that communication takes place on the effectiveness of the Q-RES management system. This communication should be two-directional.

## 5.6 Management review

### 5.6.1 General

Senior management should develop management review activity beyond verification of the effectiveness, efficiency and fairness of the Q-RES tools and Q-RES management system, turning it into a process that encompasses the entire organisation, and which also evaluates the efficiency of the system. Management reviews should be platforms for the exchange of new ideas, with open discussion and evaluation of the inputs stimulated by the leadership of senior management.

For management review to add value to the organisation, senior management should control compliance with the code of ethics' principles and rules by means of systematic reviews based on the Q-RES management principles. The frequency of review should be determined by the needs of the organisation. Inputs to the review process should result in outputs that extend beyond the effectiveness, efficiency and fairness of the Q-RES management system. Outputs from reviews should provide data for use in planning the performance improvement of the organisation.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **5.6 Management review**

#### **5.6.1 General**

Senior management shall review the organisation's Q-RES management system, at planned intervals, to ensure its continuing suitability, adequacy and effectiveness. This review shall include assessment of opportunities for improvement and the need for changes to the Q-RES management system, including the Code of Ethics and quality objectives.

Records shall be kept of management reviews.

### 5.6.2 Review input

Evaluation of the efficiency, effectiveness and fairness of the Q-RES management system should consider the stakeholders' expectations and should cover:

- status and results of objectives and improvement activities,
- status of management review action items,
- results of audits and organisation self-assessment,
- feedback on stakeholder satisfaction, perhaps even to the point of having them participate,
- CSR-related performance of other organisations,
- results from benchmarking activities,
- new opportunities for improvement,
- control of Q-RES tool nonconformities,
- integration of business strategies with ethical principles,
- status of the strategic partnership with stakeholders,
- financial effects of activities, and
- other factors which may impact on the organisation, such as financial, social or environmental conditions, and major statutory and regulatory changes.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance***5.6.2 Review input**

The input to management review shall include information on:

- results of audits,
- stakeholder feedback,
- conformity and nonconformity of Q-RES tools,
- status of preventive and corrective actions,
- follow-up actions on previous management reviews,
- changes that may affect the Q-RES management system, and
- recommendations for improvement.

**5.6.3 Review output**

If management review is extended beyond verification of the Q-RES management system, the outputs of management review can be used by senior management as inputs to improvement processes. Senior management can use this review process as a powerful tool with which to identify opportunities to improve the organisation's performance. The schedule of reviews should be communicated to demonstrate to the stakeholders that the management review process generates new objectives of benefit to the organisation.

Additional outputs to enhance efficiency include, for example

- performance objectives for Q-RES tools and processes,
- performance improvement objectives for the organisation,
- appraisal of the suitability of the organisation's structure and resources,
- strategies and initiatives for stakeholder satisfaction,
- loss prevention and mitigation plans for identified ethical risks and opportunistic behaviour, and information for strategic planning vis-à-vis the organisation's future needs.

Records should provide for traceability and facilitate evaluation of the management review process itself, the purpose being to ensure its continued effectiveness and to yield value added for the organisation.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance***5.6.3 Review output**

The output from the management review shall include any decisions and actions related to

- a) improvement of the effectiveness and fairness of the Q-RES management system and its tools and processes,
- b) improvement of Q-RES tools and processes related to stakeholder requirements, and
- c) resource needs.

## 6 RESOURCE MANAGEMENT

### 6.1 General guidance

#### 6.1.1 Introduction

The senior management should ensure that effective and efficient resources, which are the key to achievement of the corporate mission and goals, are obtained and made available. This should be done in accordance with the company's ethical vision and code of ethics: that is, by taking account of the relationship with those who furnish resources and treating them fairly. Such resources are vital for implementing strategies and pursuing the goals of corporate ethical and social responsibility. They should include resources with which to run and improve the Q-RES management system and to fulfil stakeholders' expectations. Resources may be collaborators, infrastructures, the work environment, information, suppliers and partners, natural and financial resources.

#### 6.1.2 Issues to be considered

Consideration should be made of resources with which to improve the organisation's performance, such as:

- effective, efficient and timely provision of resources in relation to opportunities and constraints
- tangible resources such as improved realization and support facilities
- intangible resources such as intellectual property
- resources and mechanisms to encourage innovative continual improvement
- organisation structures, including project and matrix management needs
- information management and technology
- enhancement of competence via focused training and learning
- development of leadership skills and profiles for the future managers of the organisation
- use of natural resources and the impact of resources on the environment
- planning for future resource needs.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **6 Resource Management**

#### **6.1 Provision of resources**

The organisation should ensure that all stakeholder commitments set out in the Code of Ethics are respected by identifying and making available the resources necessary to:

- a) implement and update the Q-RES management system and improve its effectiveness,
- b) increase stakeholder satisfaction by complying with their requirements.

### 6.2 Employees/People

#### 6.2.1 Involvement

Management should improve the effectiveness, efficiency and fairness of the organisation, including the Q-RES management system, through the involvement and support of people. The company's executives should guarantee fairness in employee participation (participation in work – procedural rules) and opportunities to express judgments and assessments on the company's conduct (participation in decision making – democracy). As an aid to achieving its performance improvement objectives, the organisation should encourage the involvement and development of its members:

- by providing continuing training and career planning

- by defining responsibilities and authorities
- by establishing individual and team objectives, managing process performance and evaluating results
- by facilitating involvement in objective setting and decision making
- by recognizing and rewarding
- by facilitating the open two-way communication of information
- by continually reviewing the needs of its members
- by creating conditions that encourage innovation
- by ensuring effective teamwork
- by communicating suggestions and opinions
- by measuring its members' satisfaction
- by investigating the reasons for joining and leaving the organisation.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

## **6.2 Employees/People**

### **6.2.1 General**

Collaborators should be competent and their skill should comprise their education, training and abilities at different levels.

They should also take part in corporate decisions at different levels.

## **6.2.2 Competence, awareness and training**

### **6.2.2.1 Competence**

Management should ensure that the necessary competence is available for the effective, efficient and fair operation of the organisation. Management should consider analysis of both present and expected competence needs as compared to the competence already existing in the organisation.

Consideration of the need for competence should cover such matters as:

- future demands related to strategic and operational plans and objectives
- anticipated management and workforce succession needs
- changes to the organisation's processes, tools and equipment
- evaluation of the ability of individual people to solve ethical dilemmas and to undertake defined activities
- statutory and regulatory requirements, and standards, affecting the organisation and its stakeholders.

### **6.2.2.2 Awareness and training**

Planning for education and ethical training needs (See ETHICAL TRAINING) should take account of change induced by the nature of the Q-RES tools and of the organisation's processes, the stages of development of people and the culture of the organisation.

The objective is to equip people with knowledge and skills which, together with experience, will improve their competence.

Ethical training should emphasize the importance of fulfilling the requirements and needs and expectations of the stakeholders. It should also include awareness of the consequences for the organisation and its members of failing to meet these requirements.

To support achievement of the organisation's objectives and the development of its members, planning for ethical training should consider:

- the experience of the organisation's members,

- tacit and explicit knowledge,
- leadership and management skills,
- planning and improvement tools,
- team building,
- problem solving,
- communication skills,
- culture and social behaviour,
- needs and expectations of stakeholders.

To facilitate the involvement of people, ethical training should also include:

- the vision of the organisation's future,
- the organisation's policies and objectives,
- organisational change and development,
- the initiation and implementation of improvement processes,
- the organisation's impact on society,
- introductory programmes for new intake,
- periodic refresher courses.

Ethical training plans should include:

- objectives,
- programmes and methods,
- resources needed,
- identification of the necessary internal support,
- evaluation in terms of the enhanced competence of people,
- measurements of effectiveness and the impact on the organisation.

The ethical training provided should be evaluated in terms of expectations and impact on the effectiveness and efficiency of the organisation, thereby improving future ethical training plans.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **6.2.2 Competence, awareness and training**

The organisation shall

- a) define the necessary competence for its members
- b) provide training or take other actions to satisfy these needs
- c) evaluate the effectiveness of the actions undertaken,
- d) ensure that its members are aware of the relevance and importance of their activities and of how they contribute to the achievement of the CSR objectives,
- e) keep appropriate records on education, training, skills and experience.

A documented procedure should exist, and it should cover the following aspects:

- 1) updating and training
- 2) selection and promotion
- 3) fairness in job relationships
- 4) equal opportunities.

## **6.3 Infrastructure**

Management should define the infrastructure necessary for the Q-RES tools and processes, considering the needs and expectations of stakeholders. The infrastructure includes resources such as plant, work stations, tools and equipment, support services, information and communications technology, and transport facilities.

The process to define the infrastructure necessary for the realization of Q-RES tools should include:

- a) provision of an infrastructure, defined in terms of objectives, function, performance, availability, cost, safety, security and renewal;
- b) evaluation of the infrastructure against the needs and expectations of stakeholders;
- c) consideration of environmental issues associated with infrastructure, such as conservation, pollution, waste and recycling.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **6.3 Infrastructure**

The organisation shall determine, provide and maintain the infrastructure needed to Q-RES management system.

Infrastructure includes the following, as applicable:

- buildings, workplaces and associated utilities,
- process equipment (both hardware and software)
- support services (such as transport or communication).

A documented procedure should exist, and it should cover the following aspects:

- 1) environment protection
- 2) environmental impact
- 3) choice of the place and methods of production.

### **6.4 Work environment**

Management should ensure that the work environment has a positive influence on the motivation, satisfaction and performance of personnel in order to enhance the performance of the organisation. When creating a suitable work environment, as a combination of human and physical factors, consideration should be made of:

- creative work methods and opportunities for greater involvement in order to realize the potential of the organisation's members,
- safety rules and guidance, including the use of protective equipment,
- ergonomics,
- workplace location,
- social interaction,
- facilities for members of the organisation,
- heat, humidity, light, airflow,
- cleanliness, noise vibration and pollution.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **6.4 Work environment**

The organisation shall determine and manage a work environment which guarantees to its employees suitable work conditions and respect for their rights.

A documented procedure should exist, and it should cover the following aspects:

- 1) respect defence
- 2) work organisation
- 3) health and safety protection
- 4) conflicts of interest
- 5) rewards and benefits
- 6) use of business resources
- 7) protection of privacy, and against poverty and sexual harassment
- 8) protection of intellectual property

## 6.5 Suppliers and partnerships

Management should establish relationships with suppliers and partners in order to promote and facilitate communication with a view to improving the effectiveness, efficiency and fairness of processes.

There are various ways in which organisations can increase value by working with their suppliers and partners:

- defining the characteristics of suppliers and partners,
- optimising the number of suppliers and partners,
- establishing two-way communication at appropriate levels in both organisations to facilitate the rapid solution of problems, and to avoid costly delays or disputes,
- cooperating with suppliers and partners in validation of their ethical principles and of the fairness, effectiveness and efficiency of their tools and processes,
- monitoring the ability of suppliers to deliver effective, efficient and fair performances with the aim of eliminating redundant verifications,
- encouraging suppliers to implement programmes for continual performance improvement and to participate in other joint improvement initiatives,
- sharing with suppliers knowledge to improve the effectiveness, efficiency and fairness of Q-RES tools and processes,
- involving partners in identification of purchasing needs and joint strategy development,
- evaluating, recognizing and rewarding efforts and achievement by suppliers and partners.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### 6.5 Suppliers and partnerships

The organization should also control the entire supply chain in order to ensure that the Q-RES management system has been adopted by all its components.

A documented procedure should exist, and it should cover the following aspects:

- 1) information fairness and completeness
- 2) fairness in contract re-negotiation
- 3) fairness in contract execution
- 4) conflicts of interest
- 5) impartiality
- 6) privacy
- 7) rewards and benefits

## 6.6 Social Capital

The managers should acquire the trust of local and national communities, of the state and public institutions, and of the various representatives of public interests. They should establish relationships for the promotion of communication and co-operation so that the organisation can work with the above mentioned communities.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### 6.6 Social capital

There should be a documented procedure which covers the following aspects relating to relationships with stakeholders, the state and institutions:

- 1) Relationships with control and regulation bodies
- 2) Fiscal duties
- 3) Relationships with public authorities

- 4) Lobbying
- 5) Anti-corruption norms

There should be a documented procedure which covers the following aspects concerning relationships with stakeholders and the community:

- 1) Corporate citizenship
- 2) Community investments
- 3) Stakeholder involvement
- 4) Relationships with foundations and cultural associations
- 5) Social impact
- 6) Relationships with the mass media

## 6.7 Information

Management should treat data as a fundamental information resource for constant development of the organisation's knowledge of its stakeholders' needs and expectations and their satisfaction. Such knowledge is essential for fair and factual decisions useful to the organisation and which ensure stakeholder satisfaction and consensus. In its information management processes, the organisation should:

- identify information relative to stakeholder needs and expectations,
- identify stakeholder information needs,
- identify and access internal and external sources of information
- convert information into data useful to the organisation
- use data, information and knowledge to set and meet its strategies and CSR objectives,
- ensure appropriate security and confidentiality,
- evaluate the benefits deriving from the use of information in order to improve information and knowledge management.

(See 8.1)

## 6.8 Natural resources

Consideration should be made of the availability of natural resources able to influence the performance of the organisation. Though such resources are often beyond the organisation's direct control, they may have significant positive or negative effects on its results. The organisation should have plans to ensure the availability or replacement of these resources so that negative effects on its performance are prevented or minimized.

## 6.9 Financial resources

Resource management should include activities to determine needs for, and sources of, financial resources.

Management should plan, make available and control the financial resources necessary to implement and maintain a fair, effective and efficient management system and to achieve the organisation's objectives. Management should also consider the development of innovative financial methods to support and encourage improvement in the organisation's performance.

Improving the fairness, effectiveness and efficiency of the management system can positively influence the organisation's financial results, for example:

- a) internally, by reducing process and product failures, or the waste of material and time,
- b) externally, by reducing product failures, costs of compensation under guarantees and warranties, and the costs of lost customers and markets.

Reporting on such matters can also be a means to identify ineffective or inefficient activities, and to initiate suitable improvement actions.

The financial. Reporting of activities related to the management system's performance and product conformity should be used in management reviews.

## 7 PRODUCT REALIZATION

### 7.1 General guidance

#### 7.1.1 Introduction

Senior management should ensure the effective and efficient operation of realization and support processes and the associated process network so that the organisation can satisfy its stakeholders.

#### 7.1.2 Managing processes

##### 7.1.2.1 General

Management should identify processes with which to realize products that satisfy the organisation's ethical principles and the standard. To ensure product realization, consideration should be made of associated support processes as well as of desired outputs, process steps, activities, flows, control measures, training needs, equipment, methods, information, materials and other resources.

An operative plan to manage the processes should be defined, and it should include:

- input and output requirements (for example specifications and resources),
- activities within the processes,
- verification and validation of processes and products,
- analysis of the process,
- identification, assessment and mitigation of ethical risk,
- corrective and preventive actions,
- opportunities and actions for process improvement,
- control of changes to processes and products.

##### 7.1.2.2 Process inputs, outputs and review

The process approach ensures that process inputs are defined and recorded in order to provide a basis for the formulation of requirements to be used for verification.

The organisation's management should undertake periodic reviews of process performance to ensure that the process is consistent with the operating plan. Examples of topics for this review are the following:

- reliability and repeatability of the process,
- identification and prevention of potential nonconformities,
- adequacy of design and development inputs and outputs,
- consistency of inputs and outputs with planned objectives,
- potential for improvement,
- unresolved issues.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **7 Product realization**

#### **7.1 Planning of product realization**

The organisation shall plan and develop the processes needed for product realization. The planning of product realization shall be consistent with the requirements of the other processes of the Q-RES management system.

In planning product realization, the organisation shall determine:

- a) requirements related to product and based on ethical objectives,
- b) processes, documents, and resources specific to the product,
- c) verification, validation, monitoring, inspection and test activities specific to the product and criteria

for product acceptance,  
 d) records needed to provide evidence that the realization processes and resulting product meet the ethical requirements defined  
 The output of this planning shall be in a form suited to the organisation's method of operations.

### 7.1.2.3 Product and process changes

The organisation should implement a process for the effective and efficient control of changes to ensure that product or process changes benefit the organisation and satisfy the needs and expectations of stakeholders. Changes should be identified, recorded, evaluated, reviewed, and controlled in order to understand their effect on other processes and on the needs and expectations of stakeholders.

Any changes in the process that affect product characteristics should be recorded, evaluated and communicated in order to maintain the product's conformity and provide information for corrective action or performance action or improvement of the organisation's performance. Authority to initiate change should be defined in order to maintain control.

Outputs in the form of products should be validated after any related change in order to ensure that the change has had the desired effect.

Risk assessment should be undertaken to assess the potential for, and the effect of, possible failures or faults in processes. The results should be used to define and implement preventive actions to mitigate identified risks.

## 7.2 Processes related to stakeholders

Management should ensure that the organisation has defined mutually acceptable processes for communicating effectively and efficiently with its stakeholders. The organisation should implement and maintain such processes to ensure adequate understanding of the needs and expectations of its stakeholders, and to translate these into requirements for the organisation. These processes should include the identification and review of relevant information and they should actively involve the stakeholders.

Examples of relevant process information include:

- requirements of stakeholders,
- contract requirements,
- competitor analysis,
- benchmarking,
- processes due to statutory or regulatory requirements.

The organisation should have full understanding of the process requirements of stakeholders before initiating its action to comply. This understanding and its impact should be mutually acceptable to the participants.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

## **7.2 Processes related to stakeholders**

### **7.2.1 Determination of stakeholders' product-related requirements**

The organisation shall determine:

- a) requirements specified by stakeholder, including those concerning the product's life cycle
- b) requirements not stated but implicit,
- c) statutory and regulatory requirements,
- d) any additional requirements determined by the organisation.

### **7.2.2 Review of product-related requirements**

The organisation shall review the product-related requirements established on the ethical objectives. This review shall be conducted prior to the organisation's commitment to realizing a product. The organisation shall ensure that

- product requirements are defined,
- ethical dilemmas are resolved,
- the organisation is able to fulfil the requirements defined.

Records shall be kept of the results of the review and of actions arising from the review.

Where the stakeholders provide no documented statements of their requirements, the latter shall be confirmed by the organisation before acceptance.

Where product requirements are changed, the organisation shall ensure that the relevant documents are amended and that the relevant personnel are made aware of the changed requirements.

### **7.2.3 Stakeholder communication**

The organisation shall put in place effective arrangements for communicating with stakeholders in relation to:

- a) product information,
- b) enquiries related to product,
- c) stakeholder feedback, including complaints.

A documented procedure should exist, and it should cover the following aspects of the relationship with the client/customer stakeholder:

- 1) contract fairness and completeness
- 2) adjustment to the customer's needs
- 3) fairness in contract re-negotiation
- 4) quality control
- 5) conflicts of interest
- 6) impartiality
- 7) privacy
- 8) rewards and benefits.

A documented procedure should exist, and it should cover at least the following aspects of the relationship with competitor stakeholders

- 1) fair competition
- 2) protection of brand recognition
- 3) collaborators
- 4) measures against distorting and predatory behaviour
- 5) collusion
- 6) anti-cartel measures.

## **7.3 Design and development**

### **7.3.1 Design and development planning**

Senior management should ensure that the organisation has defined, implemented and maintained the necessary design and development to respond effectively and efficiently to the needs and expectations of its stakeholders.

When designing and developing products or processes, management should ensure that the organisation is capable of considering not only their basic performance and function but also all factors that contribute to achieving the product and process performance expected by stakeholders.

For example, the organisation should consider life cycle, safety and health, testability, usability, user-friendliness, dependability, durability, ergonomics, the environment, product disposal and identified risks. It is also the responsibility of management to ensure that steps are taken to identify and mitigate potential risks to the users of the organisation's products and processes. Risk assessment should be undertaken to

assess the potential for, and the effect of, possible problems in products or processes. The results of this assessment should be used to define and implement preventive measures to mitigate the risks identified.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **7.3 Design and development**

#### **7.3.1 Design and development planning**

The organisation shall define, plan and control the design and development of product-related requirements established in accordance with CSR objectives.

During the design and development planning of product and productive activities, the organisation shall determine:

- a) the design and development stages,
- b) the review and verification processes appropriate to each design and development stage,
- c) the responsibilities and authorities for design and development.

The organisation shall manage the interfaces among the stakeholders involved in design and development in order to ensure effective communication and the clear allocation of responsibilities. Planning output shall be updated, as appropriate, as the design and development proceeds.

### **7.3.2 Design and development input and output**

The organisation should identify the process inputs that affect the design and development in order to satisfy the needs and expectations of stakeholders.

Examples are as follows:

- a) external inputs such as
  - stakeholder needs and expectations,
  - changes in relevant statutory and regulatory requirements,
  - international or national standards,
- b) internal inputs such as:
  - policies and objectives,
  - feedback information from past experience,
- c) inputs that identify those characteristics of processes or products crucial for safe and proper functioning and maintenance, such as:
  - physical parameters and the environment,
  - requirements for the disposal of products.

Product-related inputs based on appreciation of the needs and expectations of end users may be important:

- user and consumer information,
- purchase requirements.

Design and development outputs should be reviewed against inputs in order to obtain objective evidence that outputs have effectively and efficiently met requirements for the process and product.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **7.3.2 Design and development inputs**

Inputs relating to product requirements shall be determined and records maintained. These shall include:

- a) explicit and implicit requirements specified by stakeholders,

- b) applicable statutory and regulatory requirements,
- c) where applicable, information derived from previous similar designs,
- d) other requirements essential for design and development.

These inputs shall be reviewed for adequacy. Requirements shall be complete, unambiguous and not in conflict with each other.

### **7.3.3 Design and development outputs**

The output of design and development shall be provided in a form that enables verification against the design and development input and shall be approved prior to release.

Design and development outputs shall:

- a) meet the input requirements for design and development,
- b) provide appropriate information for purchasing, production and for service provision,
- c) contain reference product acceptance criteria ,
- d) specify the characteristics of the product essential for its safe and proper use.

## **7.3. 4 Design and development review**

Senior management should ensure that appropriate personnel are assigned to manage and conduct systematic reviews determining whether design and development objectives have been achieved. These reviews may be conducted at selected points during the design and development process, as well as on its completion.

### *Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **7.3.4 Design and development review**

At suitable stages, systematic reviews of design and development shall be performed in accordance with planned arrangements

- a) to evaluate whether the results of design and development meet requirements
- b) to identify any problems and propose actions to remedy them.

Review should include participation persons educated to the requirements of the Q-RES management system.

Records should be kept of the results of the reviews and any necessary actions.

#### **7.3.5 Design and development verification**

Verification shall be made in accordance with planned arrangements in order to ensure that the design and development outputs have met the design and development input requirements. Records shall be kept of the verification results and of any necessary actions.

#### **7.3.6 Control of design and development changes**

Design and development changes shall be identified and records kept. The changes shall be reviewed, verified as appropriate, and approved before implementation.

## **7.4 Purchasing**

Senior management of the organisation should ensure that effective and efficient purchasing processes are defined and implemented for the evaluation and control of purchased products, in order that

purchased products satisfy the stakeholders' requirements and the organisation's ethical principles (Q-RES Principles).

Requirements for suppliers' processes and product should be developed with suppliers. The organisation could also involve suppliers in the purchasing process in relation to their products in order to improve the effectiveness, efficiency and fairness of the organisation's purchasing process.

The organisation should define the need for records on purchased product verification, communication and response to nonconformities in order to demonstrate its own conformity to requirements.

### **7.4.1 Suppliers control process**

The organisation should establish effective and efficient processes to identify potential sources of materials to purchase, to develop existing suppliers or partners, and to evaluate their ability to supply the products required, thereby ensuring the effectiveness and efficiency of overall purchasing processes.

Examples of inputs to the supplier control process include

- evaluation of relevant experience,
- performance of suppliers against competitors,
- review of purchased products based on the Q-RES management system,
- inspections of suppliers with regard to the existence and level of management systems for ethical-social responsibility; evaluation of their capacity to furnish products resulting from ethics-based decisions,
- checks on supplier references and the available data on stakeholder satisfaction,
- financial assessment to assure the viability of suppliers throughout the intended period of supply and cooperation,
- suppliers' replies to inquiries and questionnaires,
- suppliers' history of performance to requirements,
- awareness of and compliance with relevant statutory and regulatory requirements,
- the supplier's standing and role in the community, as well as its external reputation.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

## **7.4 Purchasing**

### **7.4.1 Purchasing process**

The organisation shall ensure that purchased products conform to specified purchase requirements. The type and extent of control applied to the supplier and to the purchased product shall be dependent upon the effect of the purchased product on subsequent product realization or the final product.

The organisation shall evaluate and select suppliers on the basis of their ability to supply products in accordance with the organisation's requirements. Criteria for selection, evaluation and re-valuation shall be established. Records of the results of evaluations and any necessary actions arising from the evaluation shall be kept.

### **7.4.2 Purchasing information**

Purchasing information shall describe the product to be purchased, including, where appropriate:

- a) requirements for approval of product, procedures, processes,
- b) requirements for qualification of personnel,
- c) Q-RES management system requirements.

The organisation shall ensure the adequacy of specified purchase requirements prior to their communication to the supplier.

### **7.4.3 Verification of purchased products**

The organisation shall establish and implement the inspection or other activities necessary to ensure that purchased products meet specified purchase requirements.  
Where the organisation intends to perform verification on the supplier's premises, the organisation shall state the intended verification arrangements and the method of product release in the purchasing information.

## **7.5 Production and service operation**

### **7.5.1 Operation and realization**

Senior management should go beyond control of the realization processes, both to achieve compliance with requirements and to provide benefits to stakeholders. This may be accomplished by improving the effectiveness and efficiency of the realization processes and of associated support processes such as:

- reducing waste
- personnel training,
- communicating and recording information,
- developing supplier capability,
- improving infrastructure,
- preventing problems,
- processing methods and process yield,
- methods of monitoring .

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **7.5 Production and service operation**

#### **7.5.1 Control of production and service provision**

The organisation shall plan and carry out production and service provision under controlled conditions. Controlled conditions shall include, as applicable:

- a) the availability of information on the characteristics of the product
- b) the availability of work instruction,
- c) the use of suitable equipment,
- d) the availability and use of monitoring and measurement,
- e) the implementation of monitoring and measurement,
- f) the implementation of release delivery and post-delivery activities .

### **7.5.2 Identification and traceability**

The organisation may establish a process for identification and traceability that goes beyond the requirements in order that data are collected which can be used for improvement.

The need for identification and traceability may arise from:

- status of products, including component parts,
- status and fairness of processes,
- benchmarking performance data,
- relevant statutory and regulatory requirements,
- intended use or application,
- hazardous materials,
- mitigation of identified risks.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **7.5.2 Identification and traceability**

Where appropriate, the organisation shall use suitable means to identify the product throughout product realization.

The organisation shall identify the product status with respect to ethical requirements.

Where traceability is a requirement, the organisation shall control and record the unique identification of the product.

## **7.6 Control of measuring and monitoring devices**

Management should define and implement effective and efficient measuring and monitoring processes, including methods and devices for verification and validation of effectiveness, efficiency and fairness of products and processes, to ensure the satisfaction of stakeholders. These processes include surveys, simulations and other measurement and monitoring activities.

In order to build confidence in data, the measuring and monitoring processes should include confirmation that the methods and devices are fit for use and are maintained to suitable accuracy and accepted standards.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **7.6 Control of measuring and monitoring devices**

The organisation shall determine the monitoring and measurement to be undertaken and the monitoring and measuring devices needed to provide evidence of the product's conformity to specified requirements. The organisation shall establish processes to ensure that monitoring and measurement can be and are carried out in a manner consistent with the monitoring and measurement requirements.

When computer software is used to monitor and measure specified requirements, its ability to perform the intended application shall be confirmed. This shall be undertaken prior to initial use and reconfirmed as necessary.

## 8 MEASUREMENT, ANALYSIS AND IMPROVEMENT

### 8.1 General guidance

#### 8.1.1 Introduction

Measurement and the collection and communication of data on the impact of the organisation's activities on the well being of stakeholders (see SOCIAL AND ETHICAL REPORTING) is important for the purposes of decision-making.

Senior management should ensure effective and efficient measurement, and the collection and validation of data, in order to ensure the organisation's good performance and the stakeholders' satisfaction. This process should include review of the validity and purpose of measurements and the intended use of data added value to the organisation.

Measures of the performance of the organisation's processes include:

- stakeholder satisfaction ,
- effectiveness, efficiency and fairness of processes,
- achievement of objectives,
- measurements and evaluation of its products.

The organisation should continually monitor its performance improvement actions and record their implementation in that this can yield data for future improvements.

The results of the analysis of data from improvement activities should be among the inputs to management review so that information for improving the organisation's performance is obtained.

#### 8.1.2 Issues to be considered

Measurements, analysis and improvement entail the following considerations:

- measurement data should be converted into information and knowledge if they are to be beneficial to the organisation;
- measurement, analysis and improvement of products and processes should be used to set appropriate priorities for the organisation;
- the measurement methods employed by the organisation should be periodically reviewed, and data should be constantly verified for accuracy and completeness;
- the benchmarking of individual processes should be used to improve the effectiveness, efficiency and fairness of processes;
- the measurement of stakeholders' satisfaction should be considered vital for evaluation of the organisation's performance;
- the use of measurements, and the generating and communicating of the information obtained, are essential to the organisation and should be the basis for performance improvement and the involvement of stakeholders; such information should be current, and its scope should be clearly defined;
- appropriate tools for the communication of information resulting from the analyses of measurements should be implemented;
- the effectiveness and efficiency of communicating with stakeholders should be measured to determine whether the information is timely and clearly understood;
- where process and product performance criteria are met, it may still be beneficial to monitor and analyse performance data in order to gain better understanding the nature of the characteristic under study;
- self-assessment should be conducted on a periodic basis in order to assess the maturity of the Q-RES management system and the level of the organisation's performance, as well as to define opportunities for performance improvement.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance***8 Measurement , analysis and improvement****8.1 General**

The organisation shall plan and implement the monitoring, measurement, analysis and improvement processes needed

- to ensure conformity of the Q-RES management system
- to continually improve the effectiveness of the Q-RES management system
- to demonstrate product's conformity to ethical requirements.

Ethical-social accountability should rest on models accepted at national or international level and should inform the stakeholders on the commitments contained in the Code of Ethics.

This shall include determination of applicable methods, including statistical techniques, and the extent of their use.

**8.2 Measurement and monitoring****8.2.1 Measurement and monitoring of system performance****8.2.1.1 General**

Senior management should ensure that effective and efficient methods are used to identify the areas for improvement in the Q-RES management system's performance.

Examples of such methods are:

- satisfaction surveys of stakeholders,
- internal audits,
- measurements of social and ethical aspects,
- self-assessment.

**8.2.1.2 Measurement and monitoring of stakeholder satisfaction**

The measurement and monitoring of stakeholder satisfaction is based on a review of stakeholder-related information. The collection of such information may be active or passive. Management should recognize that there are many sources of stakeholder-related information, and it should establish effective and efficient processes whereby this information is collected, analysed and used to improve the organisation's performance.

The organisation should identify sources of stakeholder information, available in written and verbal form, from internal and external sources.

Examples of stakeholder-related information are:

- stakeholder surveys,
- stakeholder requirements,
- feedback on aspects of product/service,
- information relating to competition.

Management should use measurements of stakeholders' satisfaction as vital input. The organisation's process for requesting, measuring and monitoring feedback on stakeholder satisfaction should provide information on a continual basis. This process should consider conformity of requirements, meeting the needs and expectations of stakeholders.

The organisation should establish and use sources of information on stakeholder satisfaction and should cooperate with stakeholders in order to anticipate their future needs. The organisation should plan and establish processes enabling it to listen effectively and efficiently to the "voice of the stakeholders".

Planning for these processes should define data-collection methods, including information sources, the frequency of collection, and the form taken by the data analysis review.

Examples of sources of information are:

- requests and claims by stakeholders,
- communicating directly with stakeholders,
- questionnaires and surveys,
- subcontracted data collection and analysis,
- focus groups,
- reports from specific stakeholder groups,
- reports in various media
- sector and industry studies.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

## **8.2 Monitoring and measurement**

### **8.2.1 Stakeholder satisfaction**

One measure of the Q-RES management system's performance is information on stakeholders' perceptions as to whether the organisation has met their legitimate expectations regarding the commitments made in the Code of Ethics. The methods to obtain and use this information shall be devised.

#### **8.2.1.3 Internal audit**

Senior management should establish an effective and efficient internal audit process with which to assess the strengths and weakness of the Q-RES management system. The internal audit process is a management tool for independent assessment of any designated process or activity. It is an independent instrument with which to obtain objective evidence that requirements have been met, given that the internal audits evaluate the organisation's effectiveness, efficiency and fairness.

It is important for management to ensure that improvement actions are taken in response to the internal audit results. Planning for internal audits should be flexible in order to enable changes in emphasis based on the findings and objective evidence obtained during the audit. Relevant input from the area to be audited, as well as from other interested parties, should be considered when developing internal audit plans.

Examples of subjects for consideration by internal auditing are:

- relationships with stakeholders,
- fairness of processes,
- effective and efficient implementation of processes,
- opportunities for continual improvement,
- analysis of Q-RES management system cost data,
- effective, efficient and fair use of resources,
- process and product performance results and expectations,
- adequacy and accuracy of performance measurements,
- improvement activities.

Internal audit reporting sometimes includes evidence of excellent performance so that management can recognize and reward motivated employees.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **8.2.1.3 Internal audit**

The organisation should conduct internal audits at planned intervals in order to determine whether the Q-RES management system

- a) conforms to the planned arrangements, to the requirements of this standard and to the Q-RES management system requirements established by the organisation
- b) is effectively implemented and maintained.

An audit programme shall be planned, taking into consideration the status and importance of processes and the areas to be audited, as well as the results of previous audits. The audit criteria, scope, frequency and methods shall be defined. The selection of auditors and the conduct of audits should ensure the objectivity and impartiality of the audit process. Auditors shall not audit their own work. The responsibilities and requirements for planning and conducting audits, and for reporting results and maintaining records shall be defined in a documented procedure.

The management responsible for the areas being audited shall ensure that timely actions are taken to eliminate the nonconformities detected and their causes. Follow-up activities shall include verification of the actions taken and the reporting of verification results.

#### **8.2.1.4 Financial measures**

Management should consider the conversion of data from processes to financial information in order to provide comparable measures across processes and to facilitate improvement of the effectiveness and efficiency and fairness of the organisation.

Examples of financial measures include:

- prevention and appraisal cost analysis,
- nonconformity cost analysis,
- internal and external failure cost analysis,
- life-cycle cost analysis.

#### **8.2.1.5 Self-assessment**

Senior management should consider the establishment and implementation of self-assessment, this being careful evaluation, usually performed by the organisation's own management, which results in an opinion or judgement on the effectiveness, efficiency and fairness of the organisation and the maturity of the Q-RES management system. It can be used by the organisation to benchmark its performance against that of external organisations and against world-class performance. Self-assessment also aids evaluation of the organisation's performance improvement, whereas the internal audit of an organisation is an independent process used to obtain objective evidence that existing policies, procedures or requirements have been fulfilled, in that it evaluates the effectiveness, efficiency and fairness of the quality management system.

The range and depth of self-assessment should be planned in relation to the organisation's objectives and priorities.

### **8.2.2 Measurement and monitoring of processes**

The organisation should identify measurement methods and should make measurements to evaluate process performance. The organisation should incorporate these measurements into processes and use the measurements in process management.

Measurements should be used to manage daily operations, to evaluate the processes that may be suitable for small-step or ongoing continual improvements, as well as for breakthrough projects, according to the corporate ethical vision, code of ethics and the organisation's strategic objectives.

The measurement of the process performance of the Q-RES management system should cover the needs and expectations of stakeholders in balanced manner. Examples include

- fairness
- the effectiveness and efficiency of the organisation's members,
- waste reduction, and
- cost allocation and reduction.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **8.2.2 Monitoring and measurement of processes**

The organisation shall apply suitable methods for monitoring and, where applicable, measuring the Q-RES management system processes. These methods shall demonstrate that the processes are able to achieve planned results. When planned results are not achieved, correction and corrective action shall be taken, as appropriate, to ensure conformity of the product.

### **8.2.3 Measurement and monitoring of product**

The organisation should establish and specify the measurement requirements (including acceptance criteria) for its products. The measurement of product should be planned and performed in order to verify that the requirements of interested parties have been fulfilled and used to improve the realization processes.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

### **8.2.3 Measurement and monitoring of product**

The organisation shall monitor and measure the characteristics of the product in order to verify that product requirements have been met. This shall be carried out at appropriate stages of the product realization process in accordance with the planned arrangements.

Evidence of conformity with the acceptance criteria shall be kept. Records shall indicate the person(s) authorizing release of product.

Product release and service delivery shall not proceed until the planned arrangements have been satisfactorily completed, unless otherwise approved by a relevant authority and, where applicable, by the stakeholders.

### **8.2.4 Measurement and monitoring stakeholders' satisfaction**

The organisation should identify the measurement information required to meet the needs of stakeholders in relation to the organisation's processes in order to balance the allocation of resources. Such information should include measurements relating to all stakeholders.

The organisation should inquire as to the extent that the organisation is able to satisfy stakeholders' expectations and needs.

## **8.3 Control of nonconformity**

### **8.3.1 General**

Senior management should give members of the organisation the authority and responsibility to report nonconformities at any stage of a process, the purpose being to ensure the timely detection and

disposition of nonconformities. Authority for response to nonconformities should be defined to maintain achievement of process and product requirements. The organisation should effectively and efficiently control nonconforming product identification, segregation and disposition in order to prevent misuse.

Where practical, nonconformities should be recorded, together with their disposition, in order to assist learning and to provide data for analysis and improvement activities. The organisation may also decide that nonconformities to both product realization and support processes should be recorded and controlled.

The organisation can also consider recording information on those nonconformities that are corrected in the normal course of work. Such data can provide valuable information for improving the effectiveness, efficiency and fairness of processes.

### 8.3.2 Nonconformity review and disposition

The management of the organisation should ensure the establishment of an effective and efficient process with which to provide for review and disposition of identified nonconformities. Review of nonconformities should be conducted by authorized persons and determine if any trends or patterns of occurrence require attention. Negative trends should be considered for improvement, and as input to management review where reduction goals and resource needs are considered.

Those carrying out the review should have the necessary competence to evaluate the total effects of the nonconformity and should have the authority and resources to disposition the nonconformity and to define appropriate corrective action. Acceptance of nonconformity disposition may be a contractual requirement of the stakeholders.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **8.3 Control of nonconforming product**

The organisation shall ensure that product which does not conform to product requirements is identified and controlled to prevent its unintended use or delivery. The controls and related responsibilities and authorities for dealing with nonconforming product shall be defined in a documented procedure.

The organisation shall deal with nonconforming product in one more of the following ways:

- a) by taking action to eliminate the detected nonconformity,
- b) by authorizing its use, release or acceptance under concession by a relevant authority and, where applicable, by stakeholders,
- c) by taking action to preclude its original intended use or application.

Records of the nature of nonconformities and any subsequent actions taken, including concessions obtained, shall be maintained.

When nonconforming product is corrected it shall be subject to re-verification to demonstrate conformity to the requirements.

When nonconforming product is detected after delivery or use has started, the organisation shall take action appropriate to the effects, or potentials effects, of the nonconformity.

### 8.4 Analysis of data

Analysis of data can help determine the root causes of existing or potential problems, and thereby guide decisions on the corrective and preventive actions needed for improvement.

For effective evaluation by management of the total performance of the organisation, data and information from all of its parts should be integrated and analysed. The organisation's overall performance should be presented in a format suitable for different levels of the organisation. The results of this analysis can be used by the organisation to determine:

- trends,
- stakeholder satisfaction,
- fairness, effectiveness and efficiency of its processes,
- supplier contribution,
- success of its performance improvement objectives,
- economics of quality, financial and market-related performance,
- benchmarking of its performance,
- competitiveness.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **8.4 Analysis of data**

The organisation shall determine, collect and analyse appropriate data with which to demonstrate the suitability and effectiveness of the Q-RES management system and to evaluate where continual improvement of the effectiveness of the quality management system can be made. This shall include data generated as a result of monitoring and measurement and from other relevant sources.

The analysis of data shall provide information relating to

- a) stakeholders' satisfaction,
- b) conformity to product requirements,
- c) characteristics and trends of processes and products including opportunities for preventive action,
- d) suppliers.

## **8.5 Improvement**

### **8.5.1 General**

Management should continually seek to improve the effectiveness, efficiency and fairness of the organisation's processes, rather than wait for a problem to offer opportunities for improvement. Improvements can range from small-step ongoing continual improvement to strategic breakthrough improvement projects. These improvements may result in change to product or processes and even to the Q-RES management system or to the organisation.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

## **8.5 Improvement**

### **8.5.1 Continual improvement**

The organisation shall constantly improve the fairness, effectiveness and efficiency of the Q-RES management system through the use of Q-RES tools (see Fig. 1) and management system (see Fig. 2).

### 8.5.2 Corrective Action

Senior management should ensure that corrective action is used as a tool for improvement. Corrective action planning should include evaluation of the significance of problems and should be couched in terms of the potential impact on stakeholder satisfaction.

People from appropriate disciplines should participate in the corrective action process. The effectiveness, efficiency and fairness of the processes should also be emphasized when actions are taken, and the actions should be monitored to ensure that desired goals are accomplished. Corrective action should be considered for inclusion in management review.

In pursuing corrective action, the organisation should identify sources of information, and collect information with which to define the necessary corrective actions. The defined corrective actions should be focused on eliminating the causes of nonconformities in order to prevent their recurrence.

Examples of sources of information are:

- stakeholder needs and complaints,
- nonconformity reports,
- internal audit reports,
- outputs from management review,
- outputs from data analysis,
- outputs from satisfaction measurements,
- relevant Q-RES management system records,
- the organisation's members.
- process measurements,
- results of self-assessment.

There are many ways to determine the causes of nonconformity, including analysis by an individual or the assignment of a corrective-action project team. The organisation should balance the investment in the corrective action against the impact of the problem being considered.

In evaluating the need for actions to ensure that nonconformities do not recur, the organisation should consider the provision of appropriate ethical training for personnel assigned to corrective-action projects. The organisation should incorporate root-cause analysis, as appropriate, into the corrective-action process. Root-cause analysis results should be verified by testing before corrective action is defined and initiated.

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### **8.5.2 Corrective action**

The organisation shall take action to eliminate the causes of nonconformities in order to prevent their recurrence. The corrective action shall be appropriate to the effects of the nonconformities encountered.

A documented procedure shall be established to define requirements for:

- a) reviewing nonconformities (including stakeholder complaints),
- b) determining the causes of nonconformities,
- c) evaluating the need for action to ensure that nonconformities do not recur,
- d) determining and implementing the action needed,
- e) records of the results of action taken,
- f) reviewing corrective action taken.

### 8.5.3 Preventive Action

*Q-RES Standard and Guidelines to improve the organisation's ethical-social performance*

#### 8.5.3 Preventive action

The organisation shall determine action to eliminate the causes of potential non-conformities in order to prevent their occurrence. Preventive actions shall be appropriate to the effects of the potential problems.

A documented procedure shall be established to define requirements for:

- a) identifying potential non-conformities and the relevant causes,
- b) evaluating the need to adopt actions in order to prevent non-conformities,
- c) determining and implementing the necessary actions,
- d) recording the results of the actions taken,
- e) re-examining actions taken.

### 8.5.4 Continual improvement of the organisation

To aid in ensuring the future of the organisation and the satisfaction of the stakeholders, management should create a culture which involves people in an active search for opportunities to improve performance in processes, activities and products.

In order to involve personnel, senior management should create an environment where the authority is delegated so that people are empowered and accept responsibility for identifying opportunities whereby the organisation can improve its performance. This can be achieved by activities such as:

- setting objectives for people, projects and the organisation,
- benchmarking competitor performance and best practices,
- recognising and rewarding for the achievement of improvement,
- suggestion schemes including timely reaction by management.

In order to provide a structure for improvement activities, senior management should define and implement a process for continual improvement applicable to realization and support processes and activities. To ensure the effectiveness and efficiency of the improvement process, consideration should be given to realization and support processes in terms of:

- effectiveness (such as outputs meeting requirements),
- efficiency (such as resources per unit in terms of time and money),
- external effects (such as statutory and regulatory change),
- potential weakness (such as lack of capability and consistency ),
- opportunities to employ better methods,
- control of planned and unplanned change,
- measurement of planned benefits.

This process for continual improvement should be used as a tool to improve the organisation's effectiveness, efficiency and fairness, as well as to improve the satisfaction of all stakeholders.

Management should support improvements in the form of small-step ongoing activities integral to existing processes as well as breakthrough opportunities, in order to gain maximum benefit for the organisation and the stakeholders.