Corporate Social Responsibility Management System:
Framework
ARPEL Governance Project (AGP)
Component 1: Implementing Corporate Social Responsibility (CSR) within the ARPEL Member Companies
Document # 1 to 13
Corporate Social Responsibility Management System: Framework
August 2011

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The AGP recognizes that collaboration among companies, government and civil society is essential to achieve sustainable solutions and new business models that benefit communities, the companies and their workers. As cross-sector partnership becomes more apparent and professional, there is need for practical tools and resources to guide organizations in this process. The AGP is one such contribution.

Key Component Objectives
• Raising awareness about the importance and benefits of Corporate Social Responsibility in the Oil and Natural Gas sector of Latin America and the Caribbean,
• Supporting industry efforts respecting Corporate Social Responsibility Management by fostering greater cooperation among companies on CSR activities of common interest
• Fostering training of company personnel and leaders in matters of social responsibility, and
• Strengthening the relationship and dialogue with industry stakeholders

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1 INTRODUCTION

1.1 Project Introduction: CSR Management System

The importance of Corporate Social Responsibility (CSR) as a cornerstone of sustainability in the 21st century cannot be understated. Increasing adherence to the principles, practices and cultural tenets of CSR is now evident throughout the business world and permeates the beliefs and actions of stakeholders, from government agencies to individual consumers. For CSR to be successfully implemented requires buy-in throughout an organization from the executive suite to the front line. When applied consciously and effectively, CSR can truly integrate economy, environment and society in exercising a vision of sustainability beneficial to the universal wellbeing of humanity and the planet.

“Implementing Corporate Social Responsibility (CSR)” is one of the major themes throughout the ARPEL Governance Project. Other Governance Project themes related to this project referring to CSR include community development programs, indigenous people’s issues and governance and regional energy integration and health, safety and environment.

This CSR Management System Framework, Document 1 is the main guide of the System. It describes the conceptual and implementation frameworks to integrate CSR in companies.

The CSR Management System has been designed flexible and adaptable to be useful for all of ARPEL’s member organizations, regardless of size or internal structure. It observes five stages, as the companies grow and mature. The system aligns and integrates a broad range of CSR approaches in the companies’ policies, practices and culture. Once implemented internally, the system positions the organization to put CSR into practice externally, in all the areas in which it operates, for the products and services it provides, and amongst the myriad stakeholders with whom it interacts.

1.1.1 System Approach

The system and its supporting documents provide companies with guides to move from a more traditional economic-centered paradigm to a more holistic CSR paradigm. In this paradigm, companies see themselves as completely immersed within the community. As a corporate citizen and part of the community, a company seeks to engage all stakeholders. This adjustment implies a change in approach from the “Us” (company: profit-centered) and “Them” (stakeholders), to the “We” (where both internal and external stakeholders’ benefits are considered important). Movement to this perspective enables companies when applying CSR to contribute to the “We” and accrue the benefits of the revised approach. While there are considerable challenges to this paradigm shift within the capitalistic and individualistic system in which companies operate, there is widespread recognition of the need for a more holistic way of doing business, one that integrates various societal and environmental considerations along with economic considerations, and many companies are advancing in this regard.

Companies are at different stages in this transition from the “Us/Them” to the “We” approach in business. To accommodate the CSR process, ARPEL’s CSR Management System supports corporate CSR evolution according to a multi-stage process. In all, five stages of progression are laid out: (1) elementary, (2) emerging, (3) involved, (4) innovative, and (5) transformative. The five stages have
been identified as reflecting the evolution of this corporate culture and philosophy. At any given time, a company may be operating at several different stages along the spectrum, depending on whether it is being analyzed according to a particular CSR topic (i.e. human rights, stakeholder engagement, environmental impact, or other), in a particular group (corporate or business unit), or a particular initiative relative to its policy, practice and cultural evolution. The process is not always linear, and a company may choose to advance to a specified point along the 5 stages. The CSR Management System and supporting documents provide both conceptual and practical guidance. Manuals in CSR topics are structured according to three components: policy, practice and culture. These allow a company to bring alignment, integration and coherence to its internal and external operations.

1.1.2 System Supporting Documents

The ARPEL CSR Management System is supported by a family of interrelated documents – framework, manuals and toolkits – that facilitate the introduction, application and training requirements for the management system. The word “family” is used deliberately here, to demonstrate that the documents can be used collectively, or, that any one document, such as this Manual can be used independently to provide guidance on aspects of the system.

The titles of all materials making up the CSR Management System are listed below. Each document carries a unique document number.

<table>
<thead>
<tr>
<th>Document No.</th>
<th>Title of Document</th>
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<tbody>
<tr>
<td>1</td>
<td>Corporate Social Responsibility Management System: Framework</td>
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<tr>
<td>2</td>
<td>Corporate Social Responsibility Policy and Commitments; Supporting Document</td>
</tr>
<tr>
<td>3</td>
<td>Evaluation Protocol: Supporting Document</td>
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<tr>
<td>4</td>
<td>Risk Assessment Tool: Supporting Document</td>
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<tr>
<td>5</td>
<td>Ethics and Corporate Values Manual: Supporting Document</td>
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<td>12</td>
<td>Volunteering Toolkit: Supporting Document</td>
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<tr>
<td>13</td>
<td>Training Toolkit: Supporting Document</td>
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</table>

Set out below is a brief introduction to each of the documents listed above in the CSR family.


This Framework is the foundation document of system and companies should be constantly referring to this for guidance in advancing their CSR approach. The document consists of two main parts:

- Conceptual Framework: highlights relevant concepts for progressively integrating CSR into companies, describing the corporate aspects that will serve as a platform for implementing,
Corporate Social Responsibility Management System: Framework

managing and monitoring CSR results; the Framework describes how companies can advance their CSR implementation

- CSR Management System Framework: provides a guide to implement the system effectively, with specific steps that companies can follow to incorporate CSR into their operations.

Implementation of the CSR Management System is structured according to the main elements of companies’ operational systems and follows the Plan-Do-Check-Act (PDCA) cycle commonly applied for purposes of continuous improvement. The Framework is aligned with the ISO principles of PDCA and may be readily integrated with quality, health/safety and environmental management systems.

2. Corporate Social Responsibility Policy and Commitments Supporting Document

Policy and Commitments provides guidance for companies to:

- Define or validate their CSR policy and their commitments in regard to all CSR Topics and with their key stakeholders, and

- Implement policy and commitments in each CSR Topic, considering policy, practice and culture.


The Evaluation Protocol is directed at assisting companies to identify CSR performance gaps and highlight key matters that should be addressed in the selected CSR topics. The CSR topics and assessment criteria used for evaluation are derived from a number of internationally recognized and adopted CSR management principles, guidelines and standards (e.g. ISO 26000, EITI, GRI). The protocol provides a set of criteria for companies to develop a self-assessment of their CSR approach.

Assessment criteria (questions) provide for evaluation of performance related to management, action, accountability and perception of CSR performance (in policy, practice and culture) for each matter. Based on responses to assessment criteria the company can determine its priorities in each CSR topic.

While companies may be able to identify a score that provides a broad indication of their advancement in each component (policy, practice and culture) in a particular CSR topic, the protocol is most important for identifying areas of attention, trends, and gaps that separate a company from where it is in a topic and where it wants to be. The priorities identified serve as inputs to the risk analysis process.

4. Risk Assessment Tool; Supporting Document

The Risk Assessment Tool assists companies in identifying and managing their CSR risks and opportunities in main areas (the tool include a word document and an excel spreadsheet). The risk assessment methodology engages proven procedures for corporate risk assessment, which identify, assess and prioritize risks faced by companies. The process is used to effectively manage resources to minimize, monitor and control the probability and/or potential negative or positive impacts. The objective is that CSR and corporate processes are applied consistently to integrate effectively.
5 through 11. The Manuals

A manual is available for each of the seven selected topics determined by ARPEL to be relevant to the CSR Management System. Each manual contains guidance and real life examples to assist companies in advancing in their CSR approach by developing effective policies and practices that become part of the corporate culture, achieving their objectives in Key CSR Topics. The relevant objectives for each manual will have been determined by each company according to their CSR Policy and Commitments, and the gaps, issues and priorities.

The Manuals are structured according to key matters in the CSR Topic. Each issue consists of 3 components: Policy, Practice and Culture. Each component provides specific guidance and examples to assist companies in meeting the criteria in each component and advance their CSR approach (e.g. filling gaps, addressing issues and priorities). The 3 components are not linear in the sense that a company does not have to complete component 1 to develop 2 or 2 to develop 3. However, while linear advancement is not necessary, it is often the case that companies do advance and solidify their CSR practice by developing policies at corporate and business unit levels, then practices (including verification methods), which then help make CSR become part of the corporate culture.

The manuals enable companies to progress towards stated goals for continuous improvement and to advance their CSR alignment, integration and coherence according to the Topic addressed in each manual, as follows:

- **CSR Policy and Commitments**: allows companies to define or validate their policies and commitments according to their priorities
- **Ethics and Corporate Values**: reflect CSR Policy and Commitments in each company’s values and principles, code of ethics and overall policies, practices and culture
- **Corporate Governance and Transparency**: develop good governance practices and effect transparency in all day-to-day activities
- **Human Rights**: value and respect human rights, internally and externally, ensuring appropriate behaviours by all employees, contractors and sub-contractors
- **Labour Practices**: lead CSR by example with employees; set the bar high regarding company relations with employees, the manner of their employment, health and safety, and opportunities for professional and personal development
- **Stakeholder Engagement**: identify and engage stakeholders early in project planning and design and likewise continue through all stages of the life cycle: inform stakeholders; listen to their interests, expectations and concerns; understand them, and involve them in decision making and initiatives, as strategic allies when possible
- **Value Chain**: identify CSR in all aspects of operations, both internal and external to the company’s operations.
- **Communications and Reporting**: communicate effectively about CSR internally and externally, using existing and new channels to distribute information through the organization’s own resources, those available through the value chain and in the public arena at large.

12 and 13. The Toolkits

Two toolkits provide guidance on how ways to advance CSR among company employees through volunteering and training.
• **Volunteer Toolkit:** assists in identification of programs in which employees can volunteer for with high impact to orient activities, efforts of employees, and companies’ contribution.

• **Training Toolkit:** assists companies in comprehending the content and use of the CSR Management System and Supporting Documents and in training employees in its diffusion throughout the organization.

### 1.1.3 CSR System Implementation and Continuous Improvement

Figures 1 and 2 (below) illustrate the CSR Management System and the relationship among the various documents and existing corporate management systems.

As shown in Figure 1, documents 1 through 4 constitute the foundation of the CSR Management System. Although the order in which the Manuals (5 through 11) are used may vary depending on companies’ priorities, goals, and current stage in their CSR approach, the System Implementation Framework (Section 4.4 of Document No. 1) provides overall guidance on steps that companies can take to decide how they should use the Manuals to implement the System, and advance the integration of CSR in companies’ activities.

Figure 2, below, illustrates the relationship between the CSR system and existing corporate management systems. For example, as described below, companies need to complete an internal and external baseline, a CSR Evaluation, and a CSR risk analysis. Companies will use this input to define their CSR goals and commitments. These CSR goals and priorities will then need to be integrated into Policy and Business Plans. Planned CSR goals should be implemented, evaluated and monitored using the PDCA cycle, in coordination with existing corporate management systems.

Based on existing corporate management systems, and in coordination with them, the Implementation Framework of the System suggests using the following steps:

1. **Develop Baseline:**
   
   **Internal:**
   
   Review all corporate policies and practices to determine the current CSR approach (mission, vision, values, principles, policies, strategies, practices, initiatives, reports). Also review the organizational structure to identify the people in charge of CSR related responsibilities, objectives, supporting processes, resources allocated, and accountability mechanisms. This information will form the basis of a CSR Platform and help determine what the current CSR priorities are at corporate and business unit levels (review goals in strategic plans and CSR attributes or criteria in decision-making processes). For guidance see Document No.’s 1, 2, 5 and 6.

   **External:**
   
   Identify regulatory frameworks, contextual conditions (historic, social, economic, environmental, and cultural) and stakeholders -their perceptions of the company, interest, expectations (i.e., stakeholder mapping). Identify the stakeholder needs (i.e., needs assessment), their perceptions (i.e., reputational assessment) and plan the most appropriate ways of communication with each (i.e., communication and engagement plan). Document No. 9 offers guidance for companies to identify or validate their stakeholders and the best ways to engage them.
2. **CSR Assessment:**

Understand the company’s definition of CSR and develop a self-assessment of current CSR performance by topic -relative to the company’s level of accomplishment (Document No. 3 CSR Evaluation Protocol). This will assist the user identifying gaps and priorities in the company’s CSR Performance and relating them to specific sections in the CSR Manuals (CSR Supporting Manuals– Documents No.’s 5 to 11).

3. **CSR Risk Analysis:**

According to priorities identified in evaluation, analyze the internal and external risks and opportunities that the company has. From the “WE” perspective, the risks posted directly or indirectly by the company’s activities are also considered risks for the company. The opportunities include benefits to all internal and external stakeholders. This should include risks from the company’s operations and from its direct and indirect impacts (Document No. 4 Risk Analysis Tool).

4. **Define Priorities and Goals in Key CSR Topics (planning begins):**

The information in the 3 steps above –internal and external baseline, CSR Assessment, and risk analysis will assist leadership in identifying CSR priorities and goals. Based on the priorities (relevant topics/material issues), leadership defines or validates the goals, that must be aligned with company’s policies and commitments (Document 2. CSR Policy and Commitments).

The goals are then defined by Key Performance Indicators, which will become part of the company’s planning processes. The top CSR goals are to be included in the company’s business plans. They are to be planned, achieved, monitored and evaluated throughout the year in policies, practices and in the corporate culture.

5. **Apply the PDCA Cycle to achieve approved CSR goals:**

The process to achieve the identified CSR goals applies the Plan, Do, Check, Act (PDCA) Cycle. Although the cycle suggested by the CSR Management System is yearly, starting the planning process of the year in the last quarter (Q 3/4) of the previous year, companies can accommodate times to fit with the rest of their corporate processes. At the end of the cycle, a company will determine whether it has met its CSR Goals and can advance on goals of a higher CSR level or whether it needs to revise the goals and processes to achieve them. The Manuals will assist companies identifying ways in which policy, practice and culture may be advanced, engaging the PDCA cycle to achieve the goals.

By completing and repeating the PDCA cycle, ideally each year, companies are expected to advance their CSR performance relative to the goals they set with each planning process and in the various CSR Topics. As companies repeat the PDCA cycle, evaluate results and set new goals, they will continue to advance their CSR performance and leadership. Even as a desired stage is reached, the planning PDCA cycle continues, contributing to a company’s search for continuous improvement and expanding its ability to contribute to sustainable development outcomes that directly or indirectly benefit the multiple stakeholders and balance impacts on natural, socio-economic and cultural environments.
Corporate Social Responsibility Management System: Framework

Figure 2  Relationship to Existing Corporate Management Systems
1.2 Introduction to this Manual

1.2.1 Objective

The CSR Management System (the ‘System’) described in this document has been developed to assist companies in the CSR implementation as core to their business, aiming for the alignment, integration and coherence of their CSR policies, practices and organizational cultures. The conceptual and implementation frameworks of this System offer guidance and sequential steps companies can take in their day-to-day operations to make CSR part of the DNA (i.e. corporate culture) of the organization and thereby effectively manage their risks and contribute to the sustainable development of stakeholders.

The objective of this System, which includes the Framework document and its supporting documents is to provide companies with CSR guidelines and tools to assist advancing their CSR performance as core business, led by corporate leadership.

The main objectives of the CSR system are:

1. **Alignment:** Align CSR with the company’s policies both at the corporate level and in all departments and/or business units;

2. **Integration:** Integrate CSR into the company’s management in its entirety, including strategic plans, practices, systems, processes, programs, projects and initiatives at the corporate level and in all departments and/or business units; and

3. **Coherence:** Ensure the coherence of CSR policies with the company’s practices, making this evident in both the corporate culture and that of each unit, and in the impacts and relations internal and external to the company (i.e. reaching reputation, communications, and socio-economic, cultural and environmental balance).

System implementation incorporates CSR into all aspects of the company thereby mitigating/managing risks more effectively and creating opportunities that facilitate:

- Regulatory compliance;
- Economically satisfactory practices;
- Ethics and integrity of operations;
- Using innovative methods for process, activity and decision-making;
- Balanced economic, environmental and social impacts;
- Successful relations with all stakeholders;
- Market leadership;
- Positive reputation for the companies for exhibiting good CSR practices; and
- Societal contributions.

The System becomes an integral part of their business and allows them to:

- conduct a self-assessment of their performance in CSR;
- define their priorities and strategic goals aligned with CSR;
- identify and close gaps, minimizing risks and maximizing opportunities;
• design strategies to move ahead in CSR;
• implement CSR policies and practices;
• measure, monitor and assess the effectiveness of CSR results and accountability; and
• take the necessary corrective actions to ensure that the established goals are met through a process of continuous improvement.

1.2.2 Application

The CSR Management System is designed to be adopted by companies as part of their core business, consistent with existing operational management systems such as integrity management systems (e.g. Operations Integrity Management System), quality systems (e.g. ISO 9001), and Environmental Management Systems (e.g. ISO 14001). This System was developed taking into account the ISO Draft in Social Responsibility (Draft ISO 26000), and other international CSR standards and frameworks.

The companies have the option of implementing the CSR Management System into their existing systems or applying the System separately, yet parallel to other operational systems. Companies gain efficiencies by leveraging these similarities and following similar processes for the management systems. There may be documentation that satisfies the requirements of more than one management system. The key to success is to build an integrated framework that includes all business practices, based on best practices.

To meet System objectives and move ahead in the effective incorporation of CSR in a process of continuous improvement, the companies must consider the following:

• CSR must be a priority of company executives;
• The CSR policy must be a core constituent of how the company operates and be incorporated across all levels of the organization;
• The CSR Management System must ensure that the policy is complied with in day-to-day operations;
• Implementation of the system must be led by upper management;
• CSR goals must be integrated into the business plans;
• The progress of the system implementation must be documented by the business units/lines, in existing contracts and processes;
• Implementation results must be reported to upper management, at least annually;
• CSR must become a fundamental in the company's culture management.

Once the CSR Management System is implemented, the companies will be able to:

• Perform “benchmarking” of their CSR practices: Compare the results of their current performance with previous results and those of other companies in the industry.
• Participate in a learning process: Understand and incorporate the best industry CSR practices (including other ARPEL member companies) and plan future steps;
• Improve continually: Continuously advance CSR practices; and
• **Lead with innovative and positive contributions:** Become CSR leaders who contribute to the sustainable development of society - the communities, stakeholders and the organization – and respecting and protecting the environment wherever they operate.

### 1.2.3 Users

This Manual is to be used by the CSR Manager, or leader in Sustainability, or a champion in the company with CSR/sustainability responsibilities. It is important that departments with responsibilities bearing on corporate strategic planning and risk management also know this Manual. Board of Directors and Senior Executives should also be aware of the content of this Manual and of the International Standards cited in CSR,

### 1.2.4 Content

This document describes the conceptual and implementation frameworks of the CSR Management System.

The **Conceptual Framework** (Section 2) highlights relevant concepts for progressively integrating CSR into companies, describing the corporate aspects that will serve as a platform for implementing, managing and monitoring CSR results. It explains how companies can advance their CSR implementation through stages.

The **Implementation Framework** (Section 3) provides a guide to implement the system effectively, with specific steps that companies can follow to incorporate CSR into their operations.

The System has been structured according to the main elements of the companies’ operational systems and following the Plan-Do-Check-Act (PDCA) cycle, commonly used for continuous improvement processes. The framework of the CSR Management System is aligned with the ISO principles of PDCA and can be easily integrated with quality, health/safety, and environmental management systems. More specifically, the PDCA cycle refers to:

- **Plan:** Establish objectives and make plans to achieve them;
- **Do:** Implement the plans;
- **Check:** Measure results; and
- **Act:** Make required mid-course adjustments.

The PDCA cycle is a total quality management approach that can be applied to any process. Following this process for integrating CSR in business practices will provide companies with useful decision-making information at every stage of a project. Companies can follow the cycle to achieve the CSR goals and commitments for their current stage and then continue to progress in their CSR performance.
2 CONCEPTUAL FRAMEWORK

This reference Conceptual Framework describes important concepts for the understanding and application of CSR Management System. These concepts are as follows:

- CSR definition,
- international CSR standards and frameworks,
- corporate aspects as platform for CSR application, and
- range description of CSR culture evolution that includes 5 stages.

2.1 CSR Definition

Corporate Social Responsibility (CSR), often associated with sustainability and the contribution of companies to sustainable development, has been internationally recognized as one of the most important topics for business in this decade.

“Social responsibility is becoming one of the most important influences on an organization’s performance”

“For many successful companies, corporate social responsibility (CSR) is no longer just a boardroom buzzword, but a key to [a successful] business.”

(see CSR business case in Appendix A)

In order for companies to incorporate CSR effectively into their business, it is important to understand and define what CSR is in the company’s policies, management systems and overall business practices, considering direct and indirect impacts of its operations. A successful CSR policy and management system must be supported by a clear definition of the meaning of CSR and its implications for the company and its stakeholders. There are several definitions of CSR.

CSR addresses the manner in which the company conducts business. A definition must indicate:

- The role that the company plays in society;
- Its understanding of possible impacts (socio-economic and environmental) and a corporate commitment to manage them;
- The values and ethical behaviours that the company and all its people are committed to living up to (addressing stakeholders’ expectations); and
- Its contribution to:
  - sustainability of its business and industry,
  - economy and society (including different stakeholders and the general public),
  - the health and well-being of the environment, and
  - sustainable development of local communities.

---

1 ISO 26000. Guidance on Social Responsibility, ISO 2011, vi
En the CSR definition, companies must be explicit of the concept’s nature for the company (example: it is a way of doing business, a strategy, a practice) and the fundamental aspects to consider (example: impacts and contributions).

It is important for companies to comply and adhere to international standards and frameworks.

The company must define CSR clearly, by using an existing definition or creating one specific to its business. International standards and frameworks and best practices in the industry can guide the company in the development of its CSR definition. Once defined, CSR is to be communicated to all stakeholders, and as indicated in the Framework Implementation, the company will use this definition to develop its CSR policy and reflect the Policy in plans, strategies, practices and overall operations.

2.2 International Standards and Frameworks

The CSR Management System has been developed according to the best CSR practices and the following standards, frameworks, guidelines and international principles of CSR:

- International Organization for Standardization (ISO) 26000: Guidance on Social Responsibility;
- GRI: Global Reporting Initiative;
- EITI: Extractive Industry Transparency Initiative;
- UNGC: United Nations Global Compact;
- SA 8000: Social Accountability 8000;
- International Finance Corporation (IFC) Performance Standards;
- OHSAS 18001: Occupation Health and Safety Assessment Series;
- Organisation for Economic Co-operation and Development (OECD) Guidelines and Principles;
- International Labour Organization (ILO) Conventions;
- AA 1000: AccountAbility 1000; and
- Voluntary Principles on Security and Human Rights.

Table 1 illustrates the CSR standards, frameworks, guidelines and principles used in development of the System.
2.3 CSR Platform: Corporate Aspects

The CSR Management System ensures CSR is effectively applied to every aspect of the organization. CSR policy and commitments (CSR Policy and Commitments Manual) should be aligned with corporate aspects to strengthen the company’s CSR management. These corporate aspects include: vision and mission, values, principles and code of ethics; strategic plans, goals and objectives; policies, processes and practices; performance indicators, evaluations and reports; and organizational culture.

2.3.1 Vision and Mission

The vision, which is understood as the guideline or long term aspiration that directs the company’s goals, and the mission, as its purpose, are enriched when they fully incorporate the CSR. It is important that companies communicate their commitment to CSR in their vision and mission statements and that it is clear to all internal and external stakeholders. In this regard, the vision and mission communicate the company’s role in society and the environment in which it operates, and the contribution that it offers to its stakeholders, to the quality of life of the communities it interacts with, and to the care of the environment (see Manual No 2: CSR Policy and Commitments).
2.3.2 Values, Principles and Code of Ethics

There are many values and principles associated with CSR, for example transparency, ethics (honesty, trust, and justice), accountability, respect for human rights, stakeholders and the environment, among others. These are important considerations in the System. For the integration of CSR, it is valuable for companies to define their values and principles clearly, preferably in a participatory manner, that they share them with the internal and external stakeholders, and make them effective throughout the organization. The conduct expected from all members of the company will be included in the Code of Ethics (see Manual No 5: Ethics and Corporate Values).

2.3.3 Policies

The CSR Management System requires a CSR Policy to determine parameters and priorities as defined by the company for integrating CSR into its operations, which should be aligned with the company’s CSR commitments (Manual No 2: CSR Policy and Commitments Manual). The development of appropriate CSR policies aligned with the vision and values is crucial to providing guidelines for the company’s activities. It is important that CSR is integrated to the company’s policies. This applies not only to the company’s specific CSR, but also to the company’s general operational policies. CSR considerations are to be included in the policies that guide every activity of the company; for example in value chain, procurement policies; and in human resources, hiring and training policies (Manuals 6-11).

2.3.4 Strategies and Business Plans: Goals, Objectives and Initiatives

For CSR to be integrated into the company, it is necessary that senior management support and lead this integration throughout the company (Manual No 6: Governance). If senior management does not provide its support, CSR will an effort supported by a few and will advance, although slowly, however, it will not be able to reach optimum management levels.

Companies are to identify areas on which focus their efforts (Evaluation Protocol, document No 3 and Risk Assessment, document No 4) and according to them define their goals, objectives and initiatives, which should be aligned with CSR Policy and Commitments, for moving CSR management forward (Manual No 2). Goals and objectives to advance the CSR management are to be included in the business strategic plans of the company and its business units. The strategic goals and objectives should be put into actions, initiatives and programs. Once defined, these will be clearly communicated to the stakeholders (Manuals No 6-11).

2.3.5 Operational Processes and Day-to-Day Practices

To obtain effective results, companies must have solid CSR processes and systems to implement policy throughout the organization. Companies are to develop appropriate guidelines, frameworks, and practices on operation processes and decision-making criteria to achieve CSR goals and objectives at a corporate level and within each business area or unit aligned and consistent with CSR policy and commitments. Successful adoption of CSR practices requires internal and external communication programs, effective systems, implementation tools, training, education and leadership commitment (Component 2: Practices in Manuals No 6-11).
2.3.6 Performance Indicators, Monitoring, Evaluation and Reports

To effectively monitor performance, CSR Policy and objectives must be incorporated in company’s key performance indicators (KPI). Evaluations of KPI measure compliance with CSR goals and results should be communicated to internal and external stakeholders in reports. CSR becomes a core component in compensation packages, incentives and rewards to all executives, managers and employees. KPI and evaluations can be generated and monitored at different levels (at the corporate, business unit or department, project and individual levels), including audits and reviews by third parties.

Upper management and business units must perform ongoing reviews and improvements to practices for the Management System to be effective. It is important that they involve the stakeholders in the company’s activities and engage in dialogue and exchanges that will offer feedback and publish progress reports and accountability reports that clearly show the results obtained (Manual No 11: Communication and Reporting).

2.3.7 Corporate Culture

The alignment, integration and coherence of the CSR in all aspects of the business usually require a significant change within the company’s corporate culture. Companies are to progressively adopt a new way of thinking and operating. The corporate culture refers to the set of values, guidelines, practices and beliefs that define the behaviours and decisions within the organization and give meaning to the activities in which people are involved in the day-to-day business. As Figure 1 illustrates, the corporate culture, or in other words the “DNA” of a company, influences all aspects of the organization.

The leaders (upper management, executives and the board of directors) play a fundamental role in defining and transferring the DNA to the company’s departments by modeling behaviours. They permeate the corporate culture through strategic planning processes and implementation of corporate policies, processes, programs, projects and initiatives, including corporate culture development, with constant feedback between people, units, departments and the administration. Corporate culture becomes evident in the behaviours of all people and business units and in the decisions that affect the day-to-day activities and impacts of the business. The spectrum described below shows trends on how CSR culture advance in organizations.
2.4 CSR Culture Evolution Spectrum: 5 Stages

As companies progress in incorporating CSR into their business, they demonstrate changes in their organizational culture. The spectrum below shows trends on companies’ CSR evolution, this spectrum allows the company to identify where it is located at a specific time and where it needs to be located in incorporating CSR to its performance.

The CSR evolution spectrum illustrates companies’ CSR progress from an elementary stage to a transformational stage in all aspects of the company. The spectrum is divided into 5 stages: Stage 1 is immediately above the legislative and legal compliance level that is mandatory for all companies. At stage 5, the company has fully incorporated CSR in its policies, practices and culture, reaching a transformative outstanding performance. At this stage, CSR is present in all aspects of the company, leading to win-win benefits for internal and stakeholders. CSR becomes the way of doing business.

By moving to other stages, companies evolve or mature into incorporating CSR within a process of continuous improvement and leadership. Companies are to consider these stages when evaluating their performance (Evaluation Protocol, document No 3) and goals they want to achieve. Table 2 illustrates a trend of CSR evolution in an organization’s culture in 5 stages.
### CSR Evolution: 5 Stages

<table>
<thead>
<tr>
<th>Stage 1 – Elementary</th>
<th>Stage 2 – Emerging</th>
<th>Stage 3 – Engaging</th>
<th>Stage 4 – Innovating</th>
<th>Stage 5 – Transforming</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is used for marketing purposes, public relations, revenue and image.</td>
<td>CSR focuses on philanthropy with punctual strategic contributions.</td>
<td>CSR is part of the business strategy and contributes to the community</td>
<td>CSR is applied in practice generating innovation and socio-environmental contributions</td>
<td>CSR is the business culture that transforms and benefits all stakeholders</td>
</tr>
</tbody>
</table>

**Appropriate CSR policy exists and is applied. CSR is present in policy, marketing and overall corporate discourse (e.g. websites, brochures, corporate values, principles, mission, vision, policies). Policy is applied in convenient initiatives (e.g. donations)**

- CSR leadership exists and stakeholders know policy CSR is led by board and upper management; and effectively communicated to internal and external stakeholders. Information includes responsibilities and corporate decisions, their risks and CSR implications (economic, environmental, ethical and socio-cultural).
- Systems are in place to implement policy. Systems, procedures and tools are in place to facilitate CSR implementation in business plans and corporate practices (e.g. engagement and training programs, operational guidelines, monitoring, and reporting).
- Records show that systems work in practice. There is reported evidence of application of CSR in business practices, including: (a) long-term and forward thinking projects, (b) win-win initiatives and relations, and (c) sustainable economic, environmental and socio-cultural results.

A company’s stage of CSR evolution determines how effectively it applies CSR and the results it obtains; for example in tasks such as:

- Applying CSR decision-making criteria (next section);
- Incorporating CSR in the full value chain (in Manual No10: Responsibility in Value Chain);
- Developing optimal relations and truly engaging stakeholders (in Manual No 9: Stakeholder Engagement);
- Establishing an ethical, responsible, and progressive CSR culture (in Component 3: Culture in Manuals No 5-11); and
- Identifying, managing and responding to issues, opportunities, risks, and impacts (Document No 4: Risk Analysis Tool).

As companies evolve in their CSR performance, their attitudes, strategies and cultures also change. For example, to identify their trends and validate their placement in the evolution spectrum, companies may consider two important characteristics:

1. Risk management
2. Decision-making
2.4.1 Risk Management: Attitude and behaviour

From 1 to 5, the company may analyze what is its attitude and behaviour when a problem arises and/or a complaint is received:

1. Defensive: Deflecting criticism and trying to justify actions from a self-centred or an expansionist perspective;

2. Reactive: Managing issues as they come up, often with short-term responses (e.g. fire fighting) motivated by external pressures or strong market incentives;

3. Responsive: Anticipating potential issues, and assuming responsibility by doing more than is required to prevent problems (economic, environmental, ethical, and socio-cultural);

4. Proactive: Anticipating problems and stakeholders’ needs, interests and expectations. Reviewing options and planning ahead to manage and mitigate potential negative impacts, while creating opportunities; and

5. Transformative: Turning problems into opportunities in an eco-efficient, inclusive and innovative manner, leading the industry and contributing to transformative, sustainable and desirable outcomes that benefit internal and external stakeholders.

2.4.2 Decision-making: Criteria

For a company to see in which trend stage is located at the strategic decision-making level, it may analyze what are the most frequent criteria used in making decisions, at corporate level (board and senior management) as well as at business units and projects (managers) and in day-to-day activities (employee, contractors, and suppliers).

From 1 to 5 (being 1 the first option and 5 the last option, without using number 3 because it will void any clear trend) the analysis of the following criteria allows a company to analyze its progress in the integration of CSR into its culture from a decision-making approach: Timeframe: Are the company’s decisions focused on short-term results only or also long-term results?

- **Awareness**: Are the company’s decisions made and evaluated according to immediate financial results? To public perception (PR)? To all impacts (actual and potential) to health, safety, security environmental, socio-economic, political, governance and accountability? To solid ethical values?
• **Benefits direction:** Are the company’s decisions aimed at generating individual benefits only (e.g. shareholders) or collective benefits (e.g. all stakeholders, including the communities affected by the operation)?

![Individual vs. Collective](image)

• **Interconnection level:** Are the company’s decisions made by areas, being unconnected to each other and responding to circumstances at the moment only (i.e. putting out fires), or are they interconnected, complement each other, and adhere to an integral plan that follows the purposes identified in its CSR vision, mission and policy?

![Isolated vs. Integrated](image)

• **CSR Perception:** Does the company make decisions regarding resources aimed to progress CSR considered as a “cost” that diverts business resources, or as a necessary and valuable “investment” that contributes and adds value to the business?

![Cost vs. Investment vs. Value](image)

• **Communication:** Are the company’s decisions made and communicated in a single direction, exclusively, involving (few) leaders/shareholders only, and are simple and passive; or are they made and communicated in two directions, inclusively (involving all stakeholders), effective (clear, honest, balanced and timely), compassionate (thinking of how they shall be interpreted by each of the stakeholders and being sensitive to these interpretations) and active (listening, understanding, interpreting, incorporating interesting and informing)?

![Exclusive vs. Inclusive](image)
• **Value people** (the value and involvement of the stakeholders and people in general): Do company’s decisions take into account shareholders’ interests only; or do they include all parties interested in the activities of the company developing win-win relationships, based on inclusion and diversity (without distinction of gender, age, race/ethnic group, professional experience or socioeconomic status)?

![Shareholders](image)

- Shareholders
- All Stakeholders

• **Value Nature (the value given to the environment and its resources)**: In the company’s decisions, is the tradable product or business resource (i.e. oil and gas) considered and given value exclusively, or are all resources, flora, fauna and the environment in general considered and given value?

![Commercial Resource](image)

- Commercial Resource
- All Resources

• **Contribution**: Do the company’s decisions make positive contributions/impacts to the communities that are low (minimal) and adhere to the existing legislation, that are only focused on visible infrastructure, or that are high and contribute to sustainable development (beyond the law, integrate social, economic and environmental aspects)?

![Low Contribution](image)

- Low Contribution
- High Contribution

The identified criteria and their application within the company and the frequency with which they are used, (including consistency and effectiveness) provide a reference to gauge progress with respect to the incorporation of CSR in the company’s corporate culture and philosophy. Companies can analyze the criteria used in their decision-making processes and thereby approximate how advanced they are in establishing progressive CSR decision-making practices. Multidimensional criterion such as those outlined above will need to be considered in the definition of a robust CSR Policy.

As Figure 2 illustrates, companies’ implementation of CSR is a gradual process, in which companies demonstrate greater alignment, integration and coherence between what they say, what they do, and what they achieve.
Integration of CSR in The Company

- **Range of CSR Evolution: 5 Stages**
  - Advance of Indicators in each area
  - According to advancement in Strategic Objectives

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Stage 1: Elemental</th>
<th>Stage 2: Emerging</th>
<th>Stage 3: Involved</th>
<th>Stage 4: Innovative</th>
<th>Stage 5: Transforming</th>
</tr>
</thead>
</table>

**OBJECTIVES:**
- Alignment
- Integration
- Coherence

*Figure 4 - CSR Integration in the Company*
3 IMPLEMENTATION FRAMEWORK

The CSR Management System Framework and its supporting documents provide guidance on specific steps that companies can follow to incorporate CSR in all aspects of their business. This reference Implementation Framework provides specific components to take into consideration when integrating goals and objectives (aligned with CSR Policy and Commitments) in the operation, and in CSR topics identified as priorities for the company.

Table 3 (below) describes the Framework that guides on-going maintenance and implementation of the CSR Management System. In alignment with the Plan, Do, Check, and Act cycle (Appendix C, PDCA Cycle), the Framework provides guidance on a sequence of steps that companies may follow to incorporate CSR in their operations depending on their specific conditions (steps have been developed to be applied chronologically, but this will depend on each company’s situation). It is recommended that companies adapt this framework and use it to apply the CSR Management System to their activities.

The left column of the Table provides components as a sequence of steps for companies to incorporate CSR into their business, according to their specific circumstances (steps are intended to be in chronological order but may vary from company to company). The right-hand column provides links to supporting documents and related information (i.e. System supporting documents, concepts, internal documents or tools) useful for companies during the implementation of the System. These documents can be a support of this CSR system (blue), or part of the ARPEL Governance Project (green). The company may choose to add guides, examples, tools and other resources (purple). To monitor the CSR Management System implementation, starting by the development of a strong base-line, it is recommended that the company relates each component with the available applicable information (in black or in a separate side column).

### Table 3 CSR Management System Implementation Framework

<table>
<thead>
<tr>
<th>CSR Management System Components</th>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 CSR Leadership and Commitment</td>
<td>- System Supporting Documents (provided)</td>
</tr>
<tr>
<td></td>
<td>- Governance</td>
</tr>
<tr>
<td></td>
<td>- Other references</td>
</tr>
<tr>
<td></td>
<td>- Company’s information</td>
</tr>
</tbody>
</table>

**1 CSR Leadership and Commitment**

*Develop/Integrate a leadership structure in CSR decision-making and implementation.*

For the development and implementation of CSR Management System to be effective, CSR must be a priority to organization’s leaders. Companies’ Senior Management must know, support, and participate in the System implementation and related processes: from policy to practices and culture management, including CSR policies and commitments.

**1.1 CSR Governance and Accountability**

**Senior Leadership: CSR in Corporate Mandates**
## Corporate Social Responsibility Management System: Framework

<table>
<thead>
<tr>
<th>CSR Management System Components</th>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior leadership (Board of Directors and executives/upper management) oversee, guide and ensure accountability for CSR strategy and performance. They understand and ensure CSR performance as part of their mandate.</strong>&lt;br&gt;<strong>Senior leadership (preferably a CSR committee of the Board in charge of CSR performance) is overseeing and reviewing CSR performance. Their commitment to CSR is reflected in the corporate mission, vision and in the values and principles of the company. Board of Directors provides CSR accountability and upper management are responsible for achieving CSR goals (CSR results have consequences in compensation and incentives).</strong></td>
<td>Manual No. 6 Corporate Governance</td>
</tr>
<tr>
<td>Manual No. 2 CSR Policy and Commitments</td>
<td></td>
</tr>
<tr>
<td>Manual No. 5 Ethics and Corporate Values</td>
<td></td>
</tr>
</tbody>
</table>

### Organizational Structure and Supporting Team

Company has leaders in senior positions that are responsible for CSR performance in the company (i.e. Chief Officer, VP, Manager). They have resources and team to operate effectively.

The company has an organizational structure, processes and a supporting team that (according its size) supports CSR performance to meet goals and commitments:

- Senior executives at corporate and business unit levels (departments/areas) develop and revise annual business plans with the CSR leadership;
- A committee representative of different areas participates in defining, refining, reviewing and incorporating CSR objectives into the strategic plan, and takes an active role to support achieving them;
- Responsibilities in overseeing the system, its administration and implementation in different business units are assigned;
- Responsibilities for overall CSR performance are assigned throughout the company;
- CSR progress is evaluated by company’s senior leadership.

**Assign Accountability: Roles and Responsibilities**

CSR responsibilities for everyone in the company are defined, distributed and supported by management: from corporate leadership, to business units, and employees and stakeholders that the company could influence (e.g. contractors and suppliers). These responsibilities are clearly communicated by the leaders (board of directors and management) –addressing socio-economic and environmental matters, to those who are responsible or involved in implementing the System or achieving CSR objectives, including implementing and monitoring of CSR-related policies and initiatives.
## CSR Management System Components

<table>
<thead>
<tr>
<th>CSR Management System Components</th>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR roles and responsibilities are incorporated into individual job descriptions, targets, performance plans and reviews in order to ensure accountability, continuity and effective CSR leadership. CSR leadership and commitment exist at all levels of the company, showing responsibility and results in all business units and at all levels.</td>
<td>Human Resources Processes</td>
</tr>
</tbody>
</table>

### 1.2 CSR Internal and External Baseline

<table>
<thead>
<tr>
<th>CSR - Operational Definition</th>
<th>[CSR Definition (Conceptual Framework Sect. 2.1)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define, refine or validated meaning of CSR in the company</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulatory Requirements and Public Policy</th>
<th>[Database with Laws / Regulatory Requirements (Legal Department)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify and document existing legislation and relevant public policy where the company has activities, and maintain an updated data base with modifications to laws and policies. Keep in mind the social and environmental implications of laws and policies: • The company and its business units/departments identify and comply with social and environmental legislation. • The company states its position on CSR related policy issues. It promotes and apply the public policy consistently with its CSR policies and commitments.</td>
<td>[Relevant Public Policy]</td>
</tr>
<tr>
<td></td>
<td>[Community Relations Management System]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International Frameworks and Standards</th>
<th>[International Frameworks and Standards (Conceptual Framework, Sect. 2.2)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify and adhere to international frameworks and standards of importance for the companies’ activities, associated to its priorities and commitments. The company and business units/departments identify and comply with important voluntary programs and international frameworks and standards.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholder Identification</th>
<th>[Manual No. 9 Stakeholder Engagement]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders are systematically identified recognizing their position towards the company and are included in the implementation of the CSR System. The company knows its stakeholders, understands their priorities, expectations and the optimal ways in which communications, social dialogue, participation and information exchange can occur. Communication and engagement of stakeholders (internal and external) takes place regularly, addressing risks and opportunities. Their input is included in strategies and decisions. Joint actions are developed to optimize relationships and results.</td>
<td>[Community Relations Management System] [Stakeholder Mapping]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Platform</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a comprehensive review of existing documentation looking for</td>
<td></td>
</tr>
</tbody>
</table>
### CSR Management System Components

<table>
<thead>
<tr>
<th>Priorities and potential or actual CSR implications. These documents include CSR key matters:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision and Mission Statements</strong></td>
</tr>
<tr>
<td><strong>Values and Principles and Codes of Conduct</strong></td>
</tr>
<tr>
<td><strong>Policies and Strategic Plans</strong></td>
</tr>
<tr>
<td><strong>Practices, Processes and Systems</strong></td>
</tr>
<tr>
<td><strong>Communications and Reports</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSR Platform: Corporate Aspects (Conceptual Framework, Sect. 2.3)</strong></td>
</tr>
<tr>
<td>Materiality Analysis</td>
</tr>
</tbody>
</table>

### 1.3 CSR Policy

**CSR Policy (Validated / Revised/ Developed / Refined)**

A CSR policy communicates “what the company stands for” in respect of CSR, addresses material matters and commitments.

The policy statement considers definitions, commitments, related policies, practices, importance, benefits, guiding values and principles, resources, accountability of CSR.

The policy acknowledges material priorities and goals in key CSR topics:
- Ethics and corporate values,
- Governance,
- Labor practices,
- Stakeholder engagement,
- Human rights,
- Responsibility in the value chain,
- Communication and reporting, and
- Health, safety, security, and environment.

CSR related policies are considered and aligned with existing policies at corporate and business unit levels including social and environmental topics (e.g. CSR in planning, value chain management, human resources, legal, communications, operations, exploration, environment, occupational health and safety, marketing).

This includes the creation and/or modification of existing policies to implement CSR policy and objectives.

<table>
<thead>
<tr>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manual No. 2 CSR Policy and Commitments</strong></td>
</tr>
<tr>
<td><strong>CSR Statement</strong></td>
</tr>
<tr>
<td><strong>Manuals No. 5-11 ARPEL CSR System</strong></td>
</tr>
<tr>
<td><strong>CSR Policies in Corporate and Business Units</strong></td>
</tr>
</tbody>
</table>

**CSR Alignment with Corporate Vision and Mission**

The vision and mission of the company should be aligned with CSR policies, operational goals and aspirations, indicating the larger role that the company plays in contributing to society, local communities and the environment.

<table>
<thead>
<tr>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision and Mission Statements</strong></td>
</tr>
<tr>
<td><strong>Manual No. 2 CSR Policy and Commitments</strong></td>
</tr>
</tbody>
</table>

**CSR Alignment with Values and Principles**

Values and principles are the basis of ethics, ethical behaviors and ethical actions and provide guidance to the organization in its...
Corporate Social Responsibility Management System: Framework

<table>
<thead>
<tr>
<th>CSR Management System Components</th>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>operations. They reflect CSR policies, commitments and objectives for continuous improvement. The organization's leadership encourages the Company's practices to be consistent with the values and principles.</td>
<td>Corporate Values</td>
</tr>
<tr>
<td><strong>CSR Alignment with Code of Ethics (CoE) (Develop/Revise)</strong></td>
<td>Manual No. 5 Ethics and Corporate Values</td>
</tr>
<tr>
<td>Code of Ethics (CoE) or Code of Conduct (CoC) explains the purpose, objectives, values, principles, and ethics of an organization, providing direction on the expected conduct in all work related activities. CoE is well-diffused throughout the organization.</td>
<td>Code of Ethics</td>
</tr>
</tbody>
</table>

### 1.4 CSR Commitments

**CSR Commitments (Define/Refine)**

Commitments state what the organization is prepared to do to optimize benefits and minimize impacts at social, environmental, economic, cultural and political levels arising from its activities. CSR commitments focus on material issues for the company, its stakeholders and the context of its activities. They indicate priorities for continuous improvement, including stakeholders, core social thematic areas, and health, safety and the environment.

- **Stakeholder Commitments:**
  - The company clearly states what it is committed to do with/for its stakeholders:
    - Employees, contractors, suppliers, investors, shareholders, communities, consumers, clients, business partners, regulators, intergovernmental bodies, non-governmental organizations, lenders and insurers, and the public at large.
    - It is important to consider their interests, expectations and priorities.
  - **Manual No. 2 CSR Policy and Commitments**
  - **Manual No. 9 Stakeholder Engagement**
  - **Community Relations Management System**

- **Commitments in Core Social Thematic Areas:**
  - **Ethics and Corporate Values:**
    - Values and Principles
    - Code of Ethics
    - Anti-corruption and anti-bribery
  - **Corporate Governance**
    - Roles and Responsibilities
    - Disclosure of Information
  - **Human Rights:**
    - Due Diligence
    - Labour Principles and Fundamental Rights
    - Diversity and Discrimination
  - **Manual No. 5 Ethics and Corporate Values**
  - **Manual No. 6 Corporate Governance**
  - **Manual No. 7 Human Rights**
### CSR Management System Components

<table>
<thead>
<tr>
<th>Components</th>
<th>Links to Related Information</th>
</tr>
</thead>
</table>
| • Indigenous Peoples  
• Security  
• Dispute and Conflict Resolution  
• Resettlement | Manual No. 8 Labour Practices |
| • Labour Practices:  
  • Equitable Working Conditions  
  • Healthy, Safe and Positive Working Environment  
  • Human and Professional Development | Manual No. 10 Responsibility on the Value Chain |
| • Responsibility in Value Chain:  
  • Stakeholder engagement and consultation  
  • Transparency (including reporting and communication)  
  • Site/route assessment and selection  
  • Evaluating techniques and technologies  
  • Procuring contractors and suppliers  
  • Employment and training  
  • Employee health and safety  
  • Security Matters  
  • Bribery and corruption  
  • Waste management | Stages in the Value Chain |
| • Communications and Reporting:  
  • Reporting  
  • Communications | Manual No. 11 Communications and Reporting |
| • Environment:  
  • Environmental principles and considerations  
  • Prevention of pollution (air, water, waste, toxic and hazardous chemicals)  
  • Sustainable resource use (energy efficiency, water conservation, materials efficiency)  
  • Climate change mitigation and adaptation  
  • Protection and restoration of the natural environment (ecosystems, biodiversity, land and natural resource sustainable use). | Health, Safety and Environment Management System |

### PLAN

*Develop/integrate a CSR plan decision-making framework or structure, based on the CSR Management System*
CSR Management System Components

This includes the creation and/or modification of existing policies to implement CSR priority goals.

Build and/or expand on existing policy and systems in company and business units, mapping the system with what the company has already in place in alignment with corporate mandate, plans, values, policy and overall discourse:

- Create/modify CSR Policy and commitments
- Prepare CSR business plan at the corporate and business unit levels;
- Assign accountability;
- Set measurable targets and identify performance measures;
- Define engagement of internal and external stakeholders;
- Create internal and external communication plans; and
- Design training and motivation and leadership programs to advance CSR.

2.1 CSR Evaluation

CSR Corporate Priorities and Culture in the Company

Analyze the organization to determine its trend in the incorporation of CSR to its culture (stages 1 to 5), with respect to:

- Areas of most importance for the business
- Attitude and behavior in relationship to problems, and
- CSR criteria in decision-making

(Involve Board of Directors, Executives, Business Unit Managers/Leaders//Directors, Project Managers, Employees and Stakeholders).

CSR Assessment

The company conducts a self-assessment regularly in each of the key topics in CSR, in:

- Policy,
- Practice, and
- Culture

(Apply the Evaluation Protocol, and also involve Board of Directors, Executives, Business Unit Managers/Leaders//Directors, Project Managers, Employees and Stakeholders).

The results show the gaps and priorities of the company, as material areas that require attention.

2.2 Risk and Opportunity Analysis

Risk and Opportunity Analysis

Considering the areas that require the most attention, the company analyzes the internal and external risks, and the opportunities in core CSR area (use tool). This enables the company to anticipate, mitigate, manage and/or prevent these risks and take advantage of the...
opportunities in its areas of influence, in its value chain, and from working with stakeholders related to ongoing operations, products and lifetime of projects.

The company analyzes its risks, the impact and level of severity, and the exposure to risk throughout the value chain (i.e., exploration, production, transportation, refining, distribution, abandonment, and reclamation). Opportunities are also analyzed.

Risk analysis, updates, and follow-up decisions are documented. They help the company to support processes to obtain/maintain its environmental and social licenses to operate, and to contribute to sustainable development.

Priorities are identified from the risk assessment. Risks and opportunities identified and managed, as well as risk management experiences, are important to be shared between ARPEL companies.

### 2.3 Identification of Relevant Matters and Goals

**Gap Analysis**

Considering all CSR information (including information resulting from the application of previous CSR System components), Corporate and CSR Leadership analyze the company’s current CSR performance and the gap related to the performance expectations.

*Information from the assessment tools as well as the Manuals in key CSR topics, and other ARPEL Guidelines and Systems are to assist companies in this initial gap analysis of CSR performance.*

**CSR Relevant Matters**

The company analyzes the materiality of the matters and priorities selected. With this, it prepares a matrix/map of goals, with objectives and actions proposed for CSR implementation in general and in each of the key areas.

Priorities/material issues are analyzed according to risk/opportunity, significance for the company and its stakeholders, urgency and cost (including opportunity cost), the local context, in general; and their impact regarding integrated sustainable development (with socio-economic, cultural, governance, and environmental components).

Relevant matters, selected as strategic for the company, are to be aligned with corporate CSR policies and commitments; along with plans, strategy, values and principles, Code of Ethics and vision and mission of the organization, and in general with all corporate aspects.

### CSR Management System Components

<table>
<thead>
<tr>
<th>CSR Management System Components</th>
<th>Links to Related Information</th>
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</thead>
<tbody>
<tr>
<td>opportunities in its areas of influence, in its value chain, and from working with stakeholders related to ongoing operations, products and lifetime of projects. The company analyzes its risks, the impact and level of severity, and the exposure to risk throughout the value chain (i.e., exploration, production, transportation, refining, distribution, abandonment, and reclamation). Opportunities are also analyzed. Risk analysis, updates, and follow-up decisions are documented. They help the company to support processes to obtain/maintain its environmental and social licenses to operate, and to contribute to sustainable development. Priorities are identified from the risk assessment. Risks and opportunities identified and managed, as well as risk management experiences, are important to be shared between ARPEL companies.</td>
<td>Table of CSR Risk and Opportunity Assessment Results</td>
</tr>
</tbody>
</table>

### Links to Related Information

- Table of CSR Risk and Opportunity Assessment Results
- Results from the CSR Assessment and Risk / Opportunity Analysis
- (Refer to ARPEL CSR Manuals for assistance in this mapping process)
2.4 CSR in Strategic Planning

**CSR Goals and Objectives (define / validate)**
The company defines its CSR goals and prioritize objectives in relevant matters (strategic topics for the company) according to what it expects to achieve with its CSR performance and to meet the CSR commitments. Clear goals set direction.

CSR objectives are focused on end results (not the means to achieve them) and SMART (specific, measurable, achievable, relevant, time-bound), owned by a senior leader (a person in a position to implement the plan at corporate or business unit level, accordingly) and supported by one or more initiatives.

The company has clear the initiatives and actions required to meet the objectives.

Once objectives are validated, the company will define Key Performance Indicators (KPIs).

**Stakeholder Objectives (aligned with policy and commitments)**
Clearly state the company’s objectives regarding each of its stakeholders: employees, contractors, suppliers, investors, shareholders, communities, consumers, clients, business partners, regulators, intergovernmental bodies, non-governmental organizations, lenders and insurers, and the public at large. These should be aligned with the CSR policy and commitments.

**Core Social Thematic Areas Objectives:**
- Governance
- Ethics and Corporate Values
- Human Rights
- Labour Practices
- Value Chain Management
- Communications and Reporting

These objectives are aligned with CSR policies and commitments and have leadership support.

*Alignment includes review and possibly modification of existing policies and commitments.*

**Health, Safety, Security and Environment:**
- Health
- Safety
- Security

*Environmental Care*
<table>
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<tr>
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</table>
| These objectives are aligned with CSR policies and commitments and have leadership support.  
*Alignment includes review and possibly modification of existing policies and commitments.* |  |
| **CSR in Planning Process**  
CSR objectives identified at corporate and business unit levels are integrated to the annual strategic planning procedures (corporate and business unit business plans). There are action plans to apply in practice to achieve the objectives.  
At the outset all objectives in business plans (beyond CSR objectives) are evaluated according to CSR values, principles, criteria and commitments: Strategies are developed to minimize overall social and environmental impacts from operations, maximize opportunities and contribute to sustainable development.  
The CSR objectives are stated in consolidated business plan and balanced scorecards, which include: strategic areas / relevant matters, objectives / goals, targets, metrics (KPI), owner/responsible person(s), supporting initiatives and actions, teams involved (engagement is necessary), timelines, resources and financial expectations, and current status (regular updates).  
Key Performance Indicators (KPI) demonstrate progress in individual areas of responsibility for improving operations.  
The business plan objectives and initiatives in business plans are communicated to internal stakeholders through various means. | **Planning procedure**  
**Manuals No. 2-11 ARPEL CSR System**  
**Balanced Scorecard Guideline and Planning Template**  
**Key performance indicators**  
**Business Plans**  
**Communications/ Publications** |
| **Resource Allocation**  
The company ensures that there are sufficient human resources to implement the various CSR initiatives (programs, projects) incorporated into the business plan.  
The company identifies the financial, technical and material resources required to execute the initiatives and provides such resources to those responsible for implementation.  
Personnel and effort required will vary depending on how processes are implemented: E.g. integrated or by business unit, or by practice, or by process:  
– may be part of someone’s existing job  
– may be a full-time job. | **Resource Planning** |

### 2.5 CSR Communication and Education Plan

**CSR Communication and Relations Plan**  
Communication and relations are key aspects for the incorporation of
### Corporate Social Responsibility Management System: Framework

<table>
<thead>
<tr>
<th>CSR Management System Components</th>
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</thead>
</table>
| **CSR in the company’s operations.** CSR is included in overall communications of the company. A CSR communication plan is developed outlining how CSR is integrated in various communications at corporate and business unit levels, and at different phases of operations. The communications plan provides an overview of how corporate communications and marketing are well-informed, and inform about CSR/sustainability commitments, policies, practices, impacts, expectations, and changes, including awareness and emergency preparedness. The plan to be completed by corporate representatives and also by business units and/or project managers, if applicable, defines who is developing the engagement internally and externally, and which stakeholders are engaged. It explains: information management, forms of dialogue and a schedule of communications, including dates when reports will be published. The plan indicates what will be communicated to stakeholders, how, what input is required, how the input be incorporated. | **Internal and external communications procedures**  
CSR Communication Plan / Guidance Document  
Communication Log: Internal and external communications  
*Manual No. 11 Communications and Reporting* |
| **Education and Awareness: Training Plan** The company identifies CSR awareness and training needs for employees to develop different skills, approaches, experiences and knowledge necessary to deliver what is asked of them in the achievement of objectives, implementation of initiatives, and continuous improvement at corporate and business unit level as well as training to behave in a socially and environmentally responsible way, achieve CSR objectives and complete the initiatives. As part of the training plan, the company conducts an awareness and training needs assessment. Addressing the needs is important for all personnel and business units to understand CSR, its application and willingness to meet the commitments. The training plan addresses education and awareness needs for the workforce to apply CSR as a permanent task:  
− Education and training (including training of directors)  
− Training related to specific jobs (to be implemented in socially and environmental ways) Identifying company level of education, capacity building, and awareness as an ongoing task. | **Needs Assessment Template**  
Needs Assessment Results / CSR internal capacity records  
Training Plan  
*Document 13. Training Toolkit*
| **Build Support and Capacity** Ensure senior leadership and employees at all levels are engaged and supportive of CSR implementation. This includes cost implications and... |
3.1 Implement Plans

Close Gaps
Implement actions according to the plan to close the gap between current performance and desired CSR performance.

To this end, the manuals, as well as guidelines and other CSR-related systems, assist by providing “how to” guidelines with steps and examples on how to fulfill the criteria for each indicator and move to the next stage of CSR performance.

Implement the plan by setting and meeting specific goals (including initiatives and targets) to meet the KPI at corporate, business unit and individual levels.

Ensure strategies to minimize overall social and environmental impacts from operations are implemented.

3.2 Communication

Ongoing Communication and Engagement
Permanent communication with internal and external stakeholders is fundamental for the incorporation of CSR in the companies’ operations.

The communication and engagement plan is implemented ensuring early engagement of internal and external stakeholders, information exchange, social dialogue, publications and reports needs to occur internally and externally. Communication materials need to be

**Manuals No. 2-13 ARPEL CSR System**

**ARPEL CSR-Related Guidelines and Systems**

**Manual No. 9 Stakeholder Engagement**
CSR Management System Components | Links to Related Information
--- | ---
understandable, truthful and accurate, balanced, timely, comparable and targeted to the appropriate audience. The strategic plan, its CSR goals and progress are communicated to those responsible for its implementation and monitoring. To increase transparency and accountability, the company communicates its plan and progress to internal and external stakeholders so they are aware and/or able to provide their input as required. The plan implementation engages stakeholders early on to share information, receive feedback about the mandate and commitments of the company, its communication structure and the CSR implementation. This contact is useful to educate stakeholders and make them participants of processes and decisions that may affect them. The company communicates CSR information through:
- Website: _______________________
- Newsletter: _____________________
- Learning Modules: _______________
- Employee Orientation: ___________
- Training: _______________________
- Workshops: _____________________
- Presentations: ___________________
Corporate Communications ensures that before new CSR policies, practices, procedures, or related forms are made available online, they are approved by the appropriate leadership, showing a revision date, and that relevant audiences are notified regarding the new policy, practice or related form.
Set up mechanisms to share the implementation of the CSR Management Systems with others. Throughout the implementation process, ARPEL members are able to share lessons learned and discuss challenges and successes with one another, and with other stakeholders to ensure continuous improvement of the CSR Management System. Sharing feedback helps to improve the system and provide members with insight on positive experiences and areas for improvement.

3.3 Training and Education

Training and Education
The importance of CSR culture and behaviour is addressed permanently, beginning at the early stages of recruiting (i.e. during new-hire orientation) and is maintained with refresher training. Develop a process for observing, monitoring, and rewarding personnel’s CSR behaviour (including contractors).
### CSR Management System Components

| CSR roles, responsibilities and CSR commitments, objectives and initiatives are also addressed at employee orientations/inductions and in training throughout the year. Human Resources representatives are responsible for orienting all employees on the following: |
| Company's Mission and Vision |
| Company's CSR Policy Commitments |
| Company's Values and Principles |
| Company's Business Strategy |

Based on the awareness and training needs identified in the planning process, the company works with its human resources department to provide CSR awareness and training for existing and new employees to develop skills and knowledge required to implement the planned actions, as well as to instill a socially and environmentally responsible culture in the work environment.

Changes to corporate vision, mission, values, principles, policies and/or procedures affecting company's practice are also incorporated into basic induction and refresher training to ensure that new cultural shifts are communicated to all employees and contractors.

List of training available and resources related to CSR should be easily accessible to all employees and contractors.

### 3.4 Engagement and Relations

#### Employee Hiring, Recruiting and Retention Processes

Human resources are responsible for implementing hiring, recruiting and retention processes established in the CSR plan (considering CSR criteria), ensuring preventive verification, careful selection and adequate training that include CSR programs (including health, security, community, social and environmental aspects).

These processes are ensure:

- Alignment with CSR policy and commitments (including criteria, values, principles and objectives) in hiring, recruiting and retaining employees and contractors;
- Appropriate people leading initiatives;
- Equitable hiring, recruiting, retaining and promoting practices are in place, consistent with CSR; and
- Appropriate position for people skills, abilities and experience.

The company incorporates CSR criteria into protocols, performance processes, compensation and incentives. It integrates CSR into policies, practices and culture:

| Links to Related Information |
| Training and Awareness (checklist) |
| Employee Awareness and Training Records |
| CSR Training Programs |
| CSR Resources |

| Manual No. 8 Labour Practices |
### Corporate Social Responsibility Management System: Framework

#### CSR Management System Components

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<thead>
<tr>
<th>CSR Management System Components</th>
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<tbody>
<tr>
<td>• Appropriate screening and careful selection and placement, and ongoing assessment to ensure decisions made have been correct;</td>
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<tr>
<td>• Clean, healthy, safe and environmentally friendly work environment;</td>
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<tr>
<td>• Fair labour conditions with clear terms of employment and remuneration –pay and benefits- (volunteer employees with appropriate age);</td>
<td></td>
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<tr>
<td>• Equity, diversity and respect of, and from, all present and potential employees;</td>
<td></td>
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<tr>
<td>• Privacy and freedom of association; and</td>
<td></td>
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<tr>
<td>• Professional and personal development opportunities, and rewards based on merit.</td>
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<tr>
<td>• Training and support includes coaching, mentoring, knowledge sharing and adequate CSR related programs.</td>
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<tr>
<td>The company promotes sustainable lifestyles of their employees and contractors.</td>
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#### Partners and Third-Party Services

Partners as well as contractors and sub-contractors retained to do work on the company’s behalf impact the company’s operations and reputation. They perform in a manner consistent with the company’s CSR standards, implementing:

* Adequate processes (screening, training, monitoring and stewardship) for CSR performance in all activities, and
* Responsible and sustainable procurement criteria.

Companies are fair and honest in its relations with partners, suppliers, contractors and sub-contractors. These are all selected and evaluated using CSR criteria, policies, practices and culture as well as records of ethical, environmental and socio-economic impacts.

Business terms, specially CSR requirements, have to be communicated clearly and incorporated in contracts and/or agreements, and evaluated on a regular basis. Payment agreements, privacy, communication and ethical behavior with partners and third-party services are required.

Inclusive and local use of third party organizations and services need to be a priority. The company contributes to capacity building, by creating, managing and supporting a network of third-party service providers.

#### Clients and Consumers

Companies serve clients and consumers with CSR criteria, including the following tasks:

* Develop legal, truthful/honest and fair relations (respect confidentiality, and avoid misleading information or any form of
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<tr>
<td>corruption); • Meet international standards and deliver offered product quality; • Ensure products’ and services’ health and safety; and • Communicate how a product should be used, open channels to receive feedback and use it as appropriate.</td>
<td>Value Chain</td>
</tr>
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</table>

**Community**
Companies understand the impact of their operations in communities and how to revert negative effects with positive results. They contribute to making communities in which they operate better places to live and to do business.
Companies establish effective communication channels and processes with local communities. These include stating clearly their position on CSR public policy issues.
Efforts are made to be sensitive and address the needs of the communities. Efforts occur through volunteer and social investment programs or other forms of support for communities’ life plans, projects and activities.
Companies use their resources, power and social capital to help local communities advance their sustainable development. Companies obtain benefits when contributions to the sustainable health and well-being of local communities become priority for the business.

**3.5 CSR Initiatives**

**Implement Initiatives**
Implement the initiatives (projects, programs) identified in the plan

**Stakeholder Initiatives:**
Initiatives towards employees, contractors, suppliers, investors, shareholders, communities, consumers, clients, business partners, regulators, intergovernmental bodies, non-governmental organizations, lenders and insurers, and the public at large. (Stakeholder Engagement)

**Social Initiatives**

<table>
<thead>
<tr>
<th>Core Social Thematic Areas Initiatives:</th>
<th>Stakeholder Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Governance</td>
<td></td>
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<tr>
<td>• Ethics and Values</td>
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<td>• Human Rights</td>
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<td>• Labour Practices</td>
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<tr>
<td>• Responsibility in Value Chain</td>
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<tr>
<td>• Communications and Reporting</td>
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</table>

**Health, Safety, and Security:**
### CSR Management System Components

- Health
- Safety
- Security
- Environment

### Links to Related Information

HSS&E Initiatives

### 3.6 CSR in the Operations

#### Processes and Procedures (day-to-day operations)

The company identifies and implement the necessary processes and procedures to incorporate and monitor CSR performance in the company’s operations, management systems, processes, procedures, tracking and reporting progress (e.g. guidelines, frameworks, evaluation, monitoring plan and performance indicators, reporting schedule), and record-keeping of objectives and targets met (i.e. KPIs) at corporate and business unit levels.

Key processes may include:

- budgeting cycles,
- performance review procedure (career development plans),
- internal and external audits,
- hiring and recruitment procedures,
- reporting scheduling (weekly, monthly and annually – depending on critical issues identified in the CSR risk assessment and gap analysis),
- project controls, and
- project management guidelines and/or frameworks.

PM procedures are documented, understood, and executed by qualified personnel. Make sure that CSR considerations are incorporated in operation manuals, plans and practice guidelines, such as: Project execution manual(s); Project implementation plan(s); Engineering guidelines; and Project Management (PM) Framework(s), Guides and/or Procedures.

The company establishes feedback mechanisms between corporate and business units to allow stakeholders related to the system to identify and report any inconsistencies between plans and actions. In addition, the company establishes and maintains procedures to ensure internal stakeholders understanding and implementing CSR objectives, initiatives and any related legal requirements and tools, and their implications.

#### Activities, Projects and Products

Managers ensure that CSR considerations (policy, values, principles and commitments) are incorporated, using appropriate criteria, in company’s projects, operations and products throughout their lifecycle (in exploration, production, transportation refining, distribution, etc.).

- Manual no. 10 Responsibility in Value Chain
- CSR guide and criteria
### CSR Management System Components

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<tr>
<td>abandonment and reclamation). The CSR leadership assists in deciding what CSR considerations and</td>
<td>Form, and checklist (with criteria by operation assignment, project, and/or product; or by</td>
</tr>
<tr>
<td>criteria are required for improvement of projects, products and processes, and all value chain</td>
<td>practice and/or business unit)</td>
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<tr>
<td>activities of the operations. Specific CSR criteria are developed –considering environmental,</td>
<td>CSR Records by Operation Assignment, Project, Product, Unit and/or Practice</td>
</tr>
<tr>
<td>economic, socio-cultural, ethical, political and human factors- to address risks and improve the</td>
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<tr>
<td>companies’ processes. CSR considerations and criteria are applied in a company’s decisions and</td>
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<tr>
<td>reviews and in different stages and processes (e.g. gating process)i. A CSR form with a specific</td>
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<tr>
<td>checklist with CSR considerations can be prepared for each operation and/or project assignment,</td>
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<td>process and/or product (or possibly by business unit). This may include a demonstration of how</td>
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<tr>
<td>CSR-associated risks and impacts are minimized. Keep records to support the monitoring of CSR</td>
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<tr>
<td>considerations, criteria and impacts.</td>
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### 3.7 CSR Documentation

**Documentation**

*How does staff gain access to the current CSR information they need for their work, including guidelines, policies, plans, templates, procedures and records?*

Managers are responsible for providing employees’ access to current CSR documents and relevant regulations, codes and international frameworks and standards.

Documentation includes risks, regulatory requirements, licenses, guidelines, records of CSR performance: incidents (investigation and analysis), impacts, reviews (KPIs), and reports.

Employees are responsible for using the most current versions of all documents. If a superseded hard copy document must be kept, it should be labeled or named as superseded or obsolete.

### 4 CHECK

**Develop/integrate a CSR measuring and reporting framework or structure, based on the CSR Management System**

*This includes the creation and/or modification of existing systems and processes to achieve and measure progress on CSR practices implementation.*

Build and/or expand on existing systems and practices to reach coherence between policies and practices within a culture of CSR:

- Track, manage and review results
- Measure against goals and objectives
## CSR Management System Components

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<th>CSR Management System Components</th>
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<tr>
<td>• Monitor activities (with informative, practical, credible and reliable indicators)</td>
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<tr>
<td>• Report on results of objectives and commitments (transparency and accountability).</td>
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### 4.1 CSR Measurement and Monitoring

#### Monitoring, Measurement and Evaluation

A monitoring plan and schedule is established and followed to ensure that the implementation plan is on track and that the objectives and initiatives (programs, projects and indicators) are being implemented on schedule.

Throughout the year, the upper management representatives meet regularly with the CSR Leadership Team and others responsible for implementing, monitoring and evaluating the plan to review CSR performance (possibly quarterly). These meetings review operating results, progress toward the CSR objectives in the business plan, and identification of business units requiring improvement.

CSR leadership also review summaries of:
- Results of internal audits and/or external/third party evaluations
- Improvement plan results (balance scorecards)
- Stakeholders’ feedback (interviews, questionnaires, complaints)
- Claims history and statistics (recommended at least once per year)

#### Internal Audit

A CSR internal practice audit is a constructive way of assessing compliance with policies, procedures, and practices and to seek opportunities to improve practices, tools and procedures.

A benefit of internal monitoring and evaluation is that it is less costly. The company has a greater sense of ownership, it is easier/quicker to access information, and there are opportunities to exchange learning between sites. The challenges of internal monitoring are that employees do not always have the experience or knowledge required to conduct an evaluation.

The company may refer to the manuals for suggested performance indicators for each CSR area.

#### Third party validation

Monitoring and evaluation may also be conducted by an independent third party.

A benefit to external monitoring is that it frees up employee time to concentrate on implementing rather than monitoring. It provides a more objective assessment, and the assessors have the skills and
CSR Management System Components | Links to Related Information
---|---
Knowledge to conduct the evaluation, to listen, observe and write reports. External monitoring also promotes and reinforces transparency and integrity to stakeholders. | 

### 4.2 CSR Business and Individual Evaluations

**Operations Review**
Practice Reviews are a way of looking for opportunities to improve business unit practices, tools and procedures and management systems. Reviews will analyze whether or not processes, practices and management systems:
- Are aligned with CSR policy, values, principles, code of ethics and commitments,
- Integrate CSR considerations (e.g. flaring, maintenance, procurement, etc), and
- Demonstrate a CSR culture

Reviews include observance of emergency preparedness, contingency plans, community awareness, and simulations (according to the context of operation, these may include news conferences, catastrophes, violent attacks, and so on). The reviews could involve interviews by trained staff, CSR Leadership (multidisciplinary team). A CSR Coordinator could review the responses.

The company can choose to do one integral review and revisit processes for all core areas at the same time (e.g. include all: CSR, HSS&E, Quality). This will feed into the management review.

An ARPEL sister company with best practice knowledge may also support the review directly or share lessons learned from own experiences.

**Performance Evaluations**
CSR achievements are also accounted for in performance evaluations at business unit and individual levels. CSR results are a core component of compensation packages and incentive plans. Performance review processes of each business units as well as of its personnel include CSR objectives, initiatives and targets (KPI).

At each performance review/evaluation (possibly annually) of the business unit and of each employee, the CSR-related targets are assessed and counted as relevant aspects of the evaluations. These evaluations may include:
- Performance reviews/evaluations,
- 360° evaluations of performance,
- Performance rewards (e.g. compensation, bonuses). and
4.3 CSR Reporting and Management Review

**Results Tracking**
Define criteria and mechanisms to track results of plan implementation and KPIs at various levels of the organization, according to operational structures such as: corporate, business unit; practice; process, product, group, and/or person.
In each unit/area/process/product, ask questions to ensure CSR criteria are met, CSR initiatives implemented and CSR objectives achieved. For example:

- Are we in compliance with regulations and international standards?
- Are human rights and labour practices appropriate?
- When laws exist and do we utilize Industry best practices?
- Are we applying sustainable ways? (studies, research) – e.g. energy efficient, value chain (chemicals)
- Are our HSS&S Standards higher than local legislation? (if in countries with challenges)
- How are our decommissioning activities? (decision for location of operation)
- Are we ensuring sustainability of the life cycle of our activities?
- Are we contributing to the sustainable development of communities?

In order to maintain consistency of application and implementation, the company follows the processes and procedures established in the plan, including monitoring performance and tracking results as well as feedback of internal and external stakeholders.

**Reporting**
With leadership sign–off and based on the planned reporting schedule, the company publishes regular progress reports. Reporting helps the company to communicate its results to its internal and external stakeholders and encourages those responsible for plan implementation to maintain a certain degree of accountability.
There are three levels of reporting that should be considered:
1) internal reporting;
2) reporting within the ARPEL association of companies; and
3) external reporting.
The more public the report, the greater the degree of transparency the company will achieve.

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</thead>
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<tr>
<td>• Balanced scorecard results.</td>
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</tbody>
</table>

**Links to Related Information**

- Tracking Results
- Corporate Operational Processes
- Manuals No. 2-13 ARPEL CSR Management System
- Document No. 3 Evaluation Protocol
- Balanced Scorecard Guideline and Planning Template
- Manual No. 11 Reporting and Communications
- Reports
<table>
<thead>
<tr>
<th>CSR Management System Components</th>
<th>Links to Related Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management Review</strong>&lt;br&gt;For management to measure progress toward CSR, CSR matters are discussed by Leadership and CSR/Sustainability Committees. They discuss the topics and results are summarized during Business Unit / Practice Management Meetings.&lt;br&gt;Business Plan Status reports are discussed frequently during the Top Management Meeting to measure the firm's progress toward social and environmental objectives, initiatives and targets.&lt;br&gt;The management ensures the CSR management system is actually helping to optimize our practice and reduce negative social and environmental impacts, and contributes to sustainable development.</td>
<td>Framework Track Tool&lt;br&gt;Review Reports</td>
</tr>
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</table>

## 5 ACT

**Develop an integrated CSR evaluation and framework or structure, based on the CSR Management System**<br>This includes the creation and/or modification of existing systems to review, evaluate and correct CSR results.<br>Build and/or expand on the systems the company and business units have, mapping out-the system with what the company has already in place, refining the culture performance:<br>• Review process,<br>• Identify areas for improvement and areas of non-conformance, and<br>• Implement improvements.

### 5.1 Corrective Actions and CSR Continuous Improvement

**How do we decide when a problem requires investigation into the root causes, and follow-up work to eliminate the root causes of problem? And How do we take corrective action for continuous improvement?**

**Review**<br>After performance evaluations of individuals, business units/departments are completed, reviews of CSR performance have been made and progress reports are revised, the CSR Leadership Team meets with the Executive Team/Top Management, the business units and the corporate planner, to review the implementation of the plan and identify obstacles to implementation.<br>In addition, the company engages with employees and external stakeholders to solicit feedback on what is working well and what areas need improvement. The company records lessons learned prior to the development of the plan for the following year.

**Training**
### CSR Management System Components

<table>
<thead>
<tr>
<th>When the review concludes that a lack of skills or knowledge is a key obstacle to plan implementation, the company provides additional training to employees either through human resources or external consultants.</th>
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<tbody>
<tr>
<td><strong>Apply Corrective Action/Control Procedures</strong></td>
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<tr>
<td>The company identifies what works and seeks to replicate it. It also reviews what areas of the plan are off-track in terms of scheduling, targets or implementation and identifies the root cause(s) of the problem. Where obstacles to plan implementation are related to poor communication or lack of solid procedures or processes, the company takes the necessary measures to ensure the issues are corrected so that the plan may continue on track or undergo further revisions. Where specific departments or individuals have failed to deliver on their assigned actions, the company investigates the root causes and applies necessary measures if appropriate.</td>
</tr>
<tr>
<td><strong>Non-conformity, Corrective and Preventive Actions, and Improvement</strong></td>
</tr>
</tbody>
</table>
| The company’s CSR Director/Manager maintains the CSR improvement process. Preventive or corrective action can be triggered by:  
  - suggestions from staff  
  - significant internal errors  
  - recommendations from reviews and/or audits  
  - CSR-related (socio-economic and/or environmental) incidents  
  - suggestions from stakeholders  
Adjustments to the CSR Plan are made, improvement mechanisms developed and actions take place to improve the company’s CSR Performance to support advancement to a next stage of CSR performance (the CSR Assessment Protocol can assist to decide adjustments and actions). |

### Links to Related Information

<table>
<thead>
<tr>
<th>Training Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrective Action/ Improvement Plan Procedure</td>
</tr>
<tr>
<td>Forms</td>
</tr>
<tr>
<td>CSR Assessment Protocol</td>
</tr>
</tbody>
</table>

This CSR Management System serves as a guide for companies to incorporate CSR in their operations. Ongoing evaluation and reviews of the System are essential.

Feedback of multiple users and third-parties will be important to ensure that the System:

- Is effective in the incorporation of CSR in companies’ policies, practices and cultures,
- Is helping companies achieve the objectives of alignment, integration and coherence,
- Is executed appropriately and derives quality in companies’ operations,
• Is updated to accommodate and adapt to changes in stakeholders’ interests and conditions of operations, and CSR relevant topics, and
• Is contributing to companies’ continuous improvement in CSR performance.
APPENDIX ACSR BUSINESS CASE

“Responsible business is good business”\(^3\). CSR is a fundamental tool for companies in the oil and gas industry to manage risks and opportunities at corporate, business unit and personal levels. It is relevant in optimizing relationships with internal and external stakeholders, resulting in positive triple bottom line results. It is increasingly evident that CSR is not just another subject of passing interest, but rather it is a fundamental strategic approach to business, its operation, its viability and sustainability in the short and long term. Companies that do not engage sound CSR strategies may experience risks resulting in revenue loss, reputational damage, operational costs, and cancellation of social license to operate or project failure due to cost overruns, litigation, stakeholder conflicts, and compensation claims for damages. With CSR in hand, most of these situations could be avoided. The oil industry is particularly vulnerable to these risks.

Given sensitive environmental conditions and the nature of operating activities for the oil and gas industry, oil companies face challenges in maintaining a good reputation. There are complex situations in environmentally sensitive, socio-economically marginalized and politically isolated areas and manage environmental, socio-economic, cultural and political impacts require special attention. The implementation of an effective CSR Strategy allows a company to demonstrate its willingness, diligence and commitment to mitigating risks and operating responsibly by addressing the well-being of its stakeholders and the environment. The Strategy also helps the company assess and improve its operating health.

CSR goes beyond complying with laws. It allows companies to demonstrate integrity, transparency and corporate ethics by managing the impacts and risks of operations. Companies with sound CSR strategies anticipate and respond to stakeholder interests in regions especially where past activities have negatively impacted their operations resulting in direct or indirect damage to reputation. For example:

- Direct violation or complicity in human rights violations;
- Change in local labour conditions (e.g. providing salaries higher than the local mean) that generate disincentives for economic activities and inflation;
- Lack of respect/cultural clashes with local communities (including indigenous communities);
- Excess population migration seeking opportunities to locations lacking infrastructure, institutional capacity and appropriate living conditions as a result of oilfield activity;
- Increased crime and violence attracted to the area by the oilfield business;
- Lack of control of the impacts of sub-contractors and others in the value chain
- Lack of local capacity to manage effectively changes brought about by the oilfield business;
- Excessive water use and contamination;
- Emission of toxic gases into the environment and contribution to climate change;
- Waste of energy

• Pollution (e.g. gas flaring);
• Damage to soil, flora and fauna;
• Waste of natural resources and mismanagement of waste;

The incorporation of CSR into the company’s activities generates positive consequences for its reputation as well as many other benefits. The following are among the expected benefits arising from the effective implementation of CSR in companies:

• Positive company reputation associated with its integrity in everything it does (including aspects of health, safety, the environment, human rights, community relations, ethics, transparency, communications, social dialogue, accountability and other aspects of CSR);
• Attracting investors, who now are showing greater interest in responsible companies;
• Anticipating and managing risks and opportunities;
• Positioning in the capital market;
• Positive financial results;
• Positive valuation of the stock on the market.
• Growth opportunities and opening of new markets;
• Competitiveness and positioning in the industry;
• Effective management of the company and its general performance;
• Optimization of processes, technology, exchanges, communication and internal and external relations;
• Optimization of its engagement with various stakeholders (employees, shareholders, regulatory agencies, suppliers, contractors, consumers, communities and other organizations);
• Relationships of trust with internal and external stakeholders who share the company’s vision and facilitate its operation;
• More efficient management and maintenance of equipment and facilities;
• Innovation, efficiency and savings (resources and time);
• Security and protection of the company and its employees (i.e. prevention of violent acts against them);
• Employee motivation;
• Recruiting and retention of responsible and high quality employees with the appropriate attitude to contribute to the goals and purpose of the company;
• Contribution to a healthier environment that offers more opportunities so that the business may be successful in the short and long term; and
• Other indirect benefits (i.e. media publicity).
APPENDIX B  SUPPORTING TEAM

CSR must be effectively incorporated into all levels and areas of the organization, ensuring consistency between strategies, processes, policies, systems and human talent. Good coordination between support, implementation, maintenance, monitoring and health of the CSR Management System contribute to this purpose. The company must set aside resources and identify people or teams with specific duties for supporting the incorporation and implementation of CSR. It is important to select a support team that exhibits inclusivity, diversity and balance (gender, age range, backgrounds, ethnic group and professional experience).

A team to support the implementation of the System should have clear responsibilities and levels of effort for various actors. The following are roles and responsibilities for companies to consider when identifying teams to support the application of the CSR System:

- **Upper Management Commitment**: Provides leadership, supports CSR System, policy, and commitments. Promotes CSR implementation in corporate policies, plans, practices and culture. Upper Management sets expectations, allocates resources, and assigns CSR duties. It also make periodic reviews of results;
- **CSR Leadership (Committee/Team)**: Supports and promotes CSR leadership to permeate integrated practices in the whole organization. Members of this team are responsible for promoting, communicating, orienting and facilitating CSR related practices in all areas and activities of the company;
- **System operation, coordination and administration**: System design, development and effectiveness. A person or team should support the maintenance and management of the CSR Management System on a day-to-day basis, including consolidation of measures, verification of results and system improvement proposals;
- **Business Units Leaders**: Develop and apply effective management systems compatible with the CSR Management System, acknowledge CSR goals in daily operations and communicate results according to the System requirements. Each unit could identify a CSR champion who participates in CSR Leadership discussions (Committee).

CSR must be a priority understood and supported by upper management and the board of directors, working with leaders throughout the company who know and incorporate CSR into planning, implementation and assessment of management at all levels of the company. Incorporation of CSR will take place in such a way that it is aligned with the strategic plan of each unit and integrated into management of their daily operations. Ideally, and if appropriate for a company, upper management could select an individual as a CSR leader.

A CSR leader (manager/specialist) could focus on all aspects of CSR and report directly to the President (Chief Executive Officer, CEO). This person could coordinate the incorporation of CSR into the company. Depending on their size and nature companies may wish to form a department or business unit under a CSR umbrella, also known as “Sustainability” or “Sustainable Development” and create the position of Chief CSR/Sustainability Officer, CCO or CSO). This unit could oversee and support the System implementation in the company. It could also perform specific tasks such as guide training programs in priority CSR topics (with the Human Resources Unit) and contribute to the preparation of CSR reports (with the Communications and Marketing Units, according to the organizational structure of the company).
For CSR implementation to be successful, the process must permeate all areas of an organization. The company could benefit from forming a group that includes representatives from all disciplines and business units of the company. A group that promotes CSR leadership facilitates implementation of the CSR System and can serve as a conduit for to discuss CSR priorities and operational activities in each unit. For example, regular meetings can take place including: Upper management/leadership; managers/supervisors; and employees and contractors, representatives from different areas or business units of the company and managers of key projects. The group could ensure that unit’s operations (and management systems) are compatible with CSR and results are fed back to management. All areas of the company need to implement the CSR measures (planning, value chain management, human resources, legal, communications, operations, exploration, environment, occupational health and safety, marketing, and other relevant units).

If suitable for a company, a group that supports CSR may be able to contribute to developing and overseeing company’s CSR policy and advise management regarding decisions in various aspects of the company (vision and mission; values and principles; policies and tools; practices and processes; and assessment, communication and accountability mechanisms).
APPENDIX C  PDCA CYCLE

As aforementioned, the CSR Management System has been designed based upon the Plan, Do, Check and Act cycle (PDCA) Model. More specifically, Figure 4 illustrates the components of the PDCA cycle:

1. **Plan**: Analyze the organization’s situation, establish objectives, and develop plans with goals, objectives, interim targets, and initiatives that are to be included in strategic plans, policies and processes to achieve the expected results in the incorporation of CSR in the company’s practices, according to the specific area and stage;

2. **Do**: Implement the plans with the necessary objectives, processes, strategies and initiatives;

3. **Check**: Review the management indicators to measure progress and compare the results achieved with those expected, identifying gaps in each of the specific areas (measure/monitor progress: how far actual achievements meet planned objectives); and

4. **Act**: Determine the cause of the gaps between what is planned and achieved and take actions, making the adjustments that can close them (correct, learn from mistakes and improve plans to achieve better results in the future). According to the results of the actions, determine whether it is possible or not to move ahead to the next stage of CSR and repeat the cycle for the appropriate stage.

![PDCA Cycle Diagram]

In each PDCA cycle the company obtains new knowledge of each topic, which allows it to adapt better to the conditions of its surroundings, refine its goals, achieve them, and move ahead in its CSR alignment, integration and coherence of policies, practices and culture.

\[\text{Figure 5 PDCA Cycle}\]

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\^ For example, CSR criteria is applied in:
• capital allocation (estimates and financial decisions);
• risk management;
• research and development for sustainable solutions;
• hiring, contracting and sub-contracting;
• training, educating and communication;
• studies (e.g. environmental impact);
• conceptual-preliminary design;
• detailed engineering;
• purchasing (equipment and materials specifications);
• facilities and buildings design and construction;
• transportation and distribution management;
• transportation modes, business travel and commuting;
• service delivery processes;
• emergency, operations, maintenance and inspection;
• incident investigation and analysis;
• marketing practices;
• strategic collaboration;
• properties and quality of products (meeting standards);
• product transparency;
• product innovation that reduce material input;
• energy efficiencies;
• water and waste management,
• quality assurance, and
• operations integrity measures.