

## Item 1.2 Governance and Social Responsibilities (50 pts.)

Process

## How do you govern and address your social responsibilities?

Describe your organization's **GOVERNANCE SYSTEM**.

Describe **HOW** your organization addresses its responsibilities to the public, ensures **ETHICAL BEHAVIOR**, and practices good citizenship.

Within your response, include answers to the following questions:

### 1.2a. Organizational Governance

- (1) **HOW** does your organization address the following **KEY FACTORS** in your **GOVERNANCE SYSTEM**:
  - accountability for management's actions
  - fiscal accountability
  - transparency in operations and selection and disclosure policies for **GOVERNANCE** board members, as appropriate
  - independence in internal and external audits
  - protection of **STAKEHOLDER** and stockholder interests, as appropriate
- (2) **HOW** do you evaluate the **PERFORMANCE** of your **SENIOR LEADERS**, including the chief executive? **HOW** do you evaluate the **PERFORMANCE** of members of the **GOVERNANCE** board, as appropriate? **HOW** do **SENIOR LEADERS** and the **GOVERNANCE** board use these **PERFORMANCE** reviews to improve both their personal leadership **EFFECTIVENESS** and that of your board and **LEADERSHIP SYSTEM**, as appropriate?

### 1.2b. Legal and Ethical Behavior

- (1) **HOW** do you address any adverse impacts on society of your products, services, and operations? **HOW** do you anticipate public concerns with current and **future** products, services, and operations? **HOW** do you prepare for these concerns in a proactive manner, including using resource-**SUSTAINING PROCESSES**, as appropriate?  
 What are your **KEY** compliance **PROCESSES**, **MEASURES**, and **GOALS** for achieving and surpassing regulatory and legal requirements, as appropriate?  
 What are your **KEY PROCESSES**, **MEASURES**, and **GOALS** for addressing risks associated with your products, services, and operations?
- (2) **HOW** does your organization promote and ensure **ETHICAL BEHAVIOR** in all your interactions? What are your **KEY PROCESSES** and **MEASURES** or **INDICATORS** for enabling and monitoring **ETHICAL BEHAVIOR** in your **GOVERNANCE** structure, throughout your organization, and in interactions with **CUSTOMERS**, **PARTNERS**, and other **STAKEHOLDERS**? **HOW** do you monitor and respond to breaches of **ETHICAL BEHAVIOR**?

### 1.2c. Support of Key Communities

- HOW** does your organization actively support and strengthen your **KEY** communities?  
**HOW** do you identify **KEY** communities and determine areas of emphasis for organizational involvement and support?  
 What are your **KEY** communities?  
**HOW** do your **SENIOR LEADERS** and your **EMPLOYEES** contribute to improving these communities?

#### Notes:

- N1. Societal responsibilities in areas critical to your **organization's ongoing success** also should be addressed in Strategy Development (**Item 2.1**) and in Process Management (**CATEGORY 6**). **KEY RESULTS**, such as **RESULTS** of regulatory and legal compliance (including the results of mandated financial audits) or environmental improvements through use of "green" technology or other means, should be reported as Leadership and Social Responsibility **RESULTS (Item 7.6)**.
- N2. Transparency in operations (**1.2a[1]**) should include your internal controls on **GOVERNANCE PROCESSES**. *For those nonprofit organizations that serve as stewards of public funds, stewardship of those funds and transparency in operations are areas of emphasis.*
- N3. **LEADERSHIP PERFORMANCE** evaluation (**1.2a[2]**) might be supported by peer reviews, formal

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PERFORMANCE management reviews (**Item 5.1b**), and formal or informal EMPLOYEE and other STAKEHOLDER feedback and surveys. *For some businesses and governmental organizations, external advisory boards might evaluate the performance of senior leaders and the governance board.*

- N4. MEASURES or INDICATORS of ETHICAL BEHAVIOR (1.2b[2]) might include the percentage of independent board members, MEASURES of relationships with stockholder and non-stockholder constituencies, instances of ETHICAL CONDUCT breaches and responses, survey RESULTS on EMPLOYEES perceptions of organizational ETHICS, ETHICS hotline use, and RESULTS of ETHICS reviews and audits. *They also might include evidence that policies, staff training, and monitoring systems are in place with respect to conflicts of interest and proper use of funds.*
- N5. Areas of community support appropriate for inclusion in **Item 1.2c** might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.
- N6. The health and safety of EMPLOYEES are not addressed in **Item 1.2**; you should address these EMPLOYEES factors in **Item 5.3**.
- N7. *Nonprofit organizations should report in 1.2b(1), as appropriate, how they address the legal and regulatory requirements and standards that govern fundraising and lobbying activities.*

For additional description of this Item, see [1.2 Governance and Social Responsibilities Description](#).

2006 Criteria Items: 1.1 - 1.2 - 2.1 - 2.2 - 3.1 - 3.2 - 4.1 - 4.2 - 5.1 - 5.2 - 5.3 - 6.1 - 6.2 - 7.1 - 7.2 - 7.3 - 7.4 - 7.5 - 7.6 - P.1 - P.2

Key: Underlined words link [Baldrige Best Practices](#); CAPS link GLOSSARY terms; Red words link CORE VALUES; Yellow highlight identifies new 2006 words