

Code of good governance and good management practices

CODGOVO2EN

Version 3

Written by: HO Legal Department	Approved by: Board of Trustees	Next Review: HO Legal Department
Date: 28/04/2023	Date: 10/05/2023	Date: 10/05/2027

Content

- 1. INTRODUCTION 3**
 - 1.1. AIM 3
 - 1.2. SCOPE..... 3
 - 1.3. COVERAGE 4
 - 1.4. RESPONSIBILITY ASSUMPTION 4
 - 1.5. EXCEPTIONS..... 5
 - 1.6. DEFINITIONS..... 5
 - 1.7. RESPONSIBILITIES 5
 - 1.8. RELATED DOCUMENTS 5
 - 1.9. PRINCIPLES OF GOOD MANAGEMENT PRACTICE 5
- 2. GOVERNING BODIES..... 8**
 - 2.1. RESPONSIBILITIES OF THE BOARD 8
 - 2.2. DUTIES OF THE BOARD 9
 - 2.3. CONFLICTS OF INTEREST 10
 - 2.4. COMPOSITION OF THE BOARD OF TRUSTEES 10
 - 2.5. STRUCTURE OF THE BOARD 11
 - 2.6. FUNCTIONING OF THE BOARD..... 11
 - 2.7. EVALUATION OF THE BOARD..... 12
 - 2.8. CHOOSING THE EXECUTIVE DIRECTOR 13
 - 2.9. EVALUATION OF THE EXECUTIVE DIRECTOR 13
 - 2.10. SUCCESSION PLAN FOR THE EXECUTIVE DIRECTOR..... 14
 - 2.11. RESPONSIBLE FUNDRAISING 15
 - 2.12. FINANCIAL CONTROL AND SUPERVISION 15
- 3. MANAGEMENT BODIES AND JOINT BODIES 16**
- 4. ANNEX 1 18**



CHANGE LOG			
Nº Versión	Description of changes	Date of approval	Approving body
3	The periodicity of the self-evaluation of the Board of Trustees and the evaluation of the General Director is changed to biennial	10/05/2023	Board of Trustees
2	The principles of good practice are amended, the duties and responsibilities of the Board of Trustees are better defined and the other Educo management and joint bodies are incorporated	9/12/2020	Board of Trustees
1	Initial version	November 2018	Board of Trustees

1. Introduction

Educo is a non-profit organisation constituted under the legal regime of a private foundation with a vocation of permanence and indefinite duration. As a foundation, it exercises its tasks in Spanish territory and at an international level. In order to achieve its mission, it receives donations, grants and financial aid from individuals and legal entities. This obliges us to be scrupulously responsible in the management of the resources made available to the organisation, adopting good management practices, good governance and accountability mechanisms with the aim of strengthening society's trust in Educo.

It is necessary to modify the content of the Governance Code which was approved in 2018 to incorporate improvements carried out in this area.

1.1. Aim

The aim of the Code of Good Governance and Good Management Practice is to offer guidelines and extend good practice in the area of governance and management directed by the members of the governing bodies, management bodies and joint bodies at Educo in the development of their tasks and responsibilities through which they materialise the purposes of the foundation and improve the service provided by the organisation to its beneficiaries and to society as a whole.

1.2. Scope

Establish a set of operating standards, ethical principles and rules that must guide the actions of the members of the governing bodies, management bodies and joint bodies in the exercising of their tasks and responsibilities.

1.3. Coverage

The operating standards, ethical principles and rules contained in this Code of Good Governance and Good Management Practices are applicable to the following Educo bodies:

- Governing bodies:
 - Board of Trustees
 - Delegate Commission of the Board of Trustees
- Management bodies:
 - Executive Director
 - Deputy Executive Director
 - Head Office Management Committee
 - Global Management Committee
 - Country Management
 - Area Management
- Joint bodies:
 - Appointments Commission
 - Internal Audit Committee
 - Compliance Committee

1.4. Responsibility assumption

The members of the Board and the Executive Directors agree, by signing this document, to comply with the operating standards, ethical principles and rules contained in this Code of Good Governance and Good Management Practice.

The rest of the members of the management and joint bodies assume their commitment to comply by signing the letter of commitment attached in **Annex 1**.

1.5. Exceptions

This Code of Good Governance is not subject to any exceptions to its enforcement.

1.6. Definitions

No definitions requiring clarification have been found.

1.7. Responsibilities

Responsibility for the compliance and application of this code lies with the Board and the Executive Directors.

1.8. Related documents

- Ethical Code
- Code of conduct
- Code of Conduct on Regulatory Compliance
- Organic Regulation
- Open Information Policy

1.9. Principles of good management practice

The principles described below include Educo's commitment to ethics in all areas of activity, establishing a set of guidelines aimed at guiding the responsible conduct of the members of the governing bodies, management bodies and joint bodies in the development of their activities.

a) Commitment to the common good

The members of the bodies which this code applies to must be particularly vigilant to avoid situations in which personal interest and the interest of the foundation directly or indirectly collide, and to manage conflicts of interest that may damage or harm the reputation of the foundation appropriately.

In this respect, all professional decisions must be based on the best defence of the interests of the foundation, so that they are not influenced by personal relationships or any other particular interest.

b) Accountability

In addition to the accountability to the protectorate, the foundation's administrators (board of trustees and directors) have a duty to control and supervise the correct administration of resources, responding diligently to requests for information from donors and stakeholders and offering, if necessary, the appropriate explanations for their actions and decisions.

c) Transparency

Transparency at Educo is a fundamental pillar for strengthening society's trust in the organisation. Over and above the legal requirements, Educo has adopted the best practices, always striving for continuous improvement in order to respond diligently and clearly to demands for information from its stakeholders.

d) Responsible management of resources

The Educo Board and directors are committed to a responsible use of the resources and means made available to the organisation, solely carrying out activities of interest to the foundation, and therefore the resources and means available will not be used or applied for private purposes. Similarly, superfluous activities and expenditure, which reduce the ability to develop the purposes of the foundation, will be avoided.

e) Respect for the law

The Educo Board and directors must integrate the regulations into their daily practice, ensuring respect for the law in force in the place where they carry out their activity, taking into account the spirit and purpose of the rules, and observing the provisions of the different codes, rules of governance and procedures that regulate their activity. They will also fully respect the obligations and commitments assumed by the foundation in its contractual relations with third parties, as well as the customs and good practices of the countries in which they operate.

The Educo Board and directors must be familiar with the regulations, including internal regulations, that affect the relevant areas of activity and must ensure that their subordinates receive adequate information and training to enable them to understand and comply with the legal and regulatory obligations applicable to their position.

f) Equal opportunities and non-discrimination

Educo rejects any discrimination on the grounds of race, nationality, social origin, age, sex, marital status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its workers, promoting equal opportunities between them. In particular, they promote equal treatment

between men and women in relation to access to employment, training, promotion and working conditions. They also ensure parity in the board of trustees and other delegated bodies.

g) Respect and dignified treatment

Educo rejects any manifestation of violence, any physical, sexual, psychological, moral or other harassment, abuse of authority at work and any other conduct that creates an intimidating or offensive environment for the personal rights of its employees. Specifically, it promotes measures for preventing these behaviours in accordance with its internal codes and policies.

h) Right to privacy

Educo respects the right to privacy of its stakeholders (beneficiaries, employees, volunteers, board members, etc.) in all its manifestations, and in particular, in the case of personal data, as well as any personal communications by its employees via the internet or other communication channels. Educo agrees not to disclose personal data, except with the consent of the interested parties and in cases of legal obligation or in compliance with judicial or administrative decisions.

Under no circumstances may the personal data of employees be processed for purposes other than those legally or contractually provided for. Educo employees who have access to personal data due to their activity will agree in writing to keep such data confidential, not to disclose it and to process it only and exclusively for the authorised purposes.

i) Duty of confidentiality

No member of the foundation may use information to which he or she has access in the performance of his or her duties, including the trustees, for his or her own benefit or for his or her personal interest.

j) Conflict resolution

Educo, in the event of any conflict or dispute, whether internal or external, will try to seek a resolution of the conflict through alternative methods to judicial proceedings such as mediation, with the aim of reaching a rapid and agreed resolution between the parties.

In the face of possible conflicts, the foundation must place value on bilateralism - so that the parties involved in a dispute have equal opportunities - and it is necessary to act loyally, with good faith and mutual respect in order to reach an agreement in which there is not a winner and a loser, but rather a solution to a problem that affects both parties.

k) Child protection

Educo works to raise awareness about and promote a culture of protection and good treatment for children and adolescents in the work, domestic and community environments, and has clear procedures for

preventing and responding to violence against children, establishing safe and transparent channels for notifying about concerns, suspicions and incidents related to protection and positive treatment of children.

l) Preservation and conservation of the environment

Educo will care for, preserve and respect the environment by identifying, assessing and managing the environmental effects of the organisation's activities and making the necessary efforts to minimise them. Special attention will be paid to the consumption of natural resources and the correct environmental management of waste.

2. Governing bodies

The board of trustees is the collegiate governing and administrative body of the foundation, which represents and manages it, and assumes all the powers and tasks necessary for the achievement of the foundation's objectives.

In order to facilitate the foundation's objectives, the board has created the delegate commission, made up exclusively of trustees, which carries out the tasks of the board of trustees except those that cannot be delegated (related to article 20 of the statutes) and the operation and decision-making of which are governed by the same rules as those of the board of trustees, insofar as these are applicable.

2.1. Responsibilities of the board

The most important responsibilities of the board are as follows:

- 1) **Determine the mission and objectives of the organisation.** The board is responsible for formulating the mission and reviewing it regularly. Every single member of the board must understand it in its totality and support it.
- 2) **Select the executive director.** The board must define the role of the Executive Director, setting out the tasks and responsibilities of the position. The board of the designated commission must carry out a thorough selection process, which will make it possible to submit to the board of trustees the appropriate proposals for the selection of the most qualified candidate to fill the post.
- 3) **Support the Executive Director and review his or her work.** The board will ensure that it supports the Executive Director to achieve the objectives of the organisation. Similarly, the board will evaluate his or her performance biennially.
- 4) **Ensure effective planning of the activities.** As administrators of the organisation, the board members will guarantee the existence of a plan for the foundation's activities and will help with the achieving of its objectives.

- 5) **Ensure availability of the necessary resources for achieving its mission.** The board members will work on raising funds and resources for the organisation, alongside the Executive Director and the heads of fundraising at the organisation.
- 6) **Manage available resources efficiently.** In order to maintain compliance with its obligations to donors and to safeguard its right to tax exemption, the board of trustees must participate in the preparation of the annual budget, decide on its approval and ensure that effective financial control mechanisms are in place.
- 7) **Determine and monitor the programs and services of the organisation.** The board must determine which programmes are most relevant to the organisation's mission and monitor them.
- 8) **Enhance the public image of the organisation.** The board is the main channel of communication for the foundation with its beneficiaries, the general public and the media. The trustees will deploy a clear public relations strategy, the main elements of which will be the promotion and explanation of the mission and the results achieved, as well as support from important or significant people, media or institutions in society.
- 9) **Staff policy.** The institution has a clear and solid staff policy and delegates the management of staff to the Executive Director. To facilitate the resolution of possible conflicts, the Executive Director may submit any disagreements to the chair of the board, and all other staff may submit disagreements to the chair through the workers' representative committee.
- 10) **Evaluate its own performance.** The board will evaluate its own performance in order to acknowledge its achievements and reach a consensus on areas for improvement.

2.2. Duties of the board

The main duties of the board are as follows:

- 1) Attend board meetings, committees and other events that are carried out as part of the organisation's activity.
- 2) Keep informed about the mission of the organisation, its policies and programs.
- 3) Study the agenda and available background material before attending board or committee meetings.
- 4) Take on commitments to act, as well as the performance of special tasks.
- 5) Inform others about the work of the organisation.
- 6) Keep up to date on issues relating to the foundation's area of activity.
- 7) Comply with the codes and policies of the organisation.

- 8) Contribute to ensure that the board complies with the economic and financial responsibilities of the organisation, analysing and reviewing the financial statements.

2.3. Conflicts of interest

Educo has included in **article 28 of its statutes** and in another internal regulation, as a basic principle, the avoidance of conflict of interest situations, establishing procedures and mechanisms for their fulfilment. The board of trustees is obliged to provide clear and complete information on possible conflicts of interest, to abstain from votes that may affect them and, where appropriate, to resign when their actions may compromise the good name of the institution.

2.4. Composition of the board of trustees

The appointment of candidates to a governing body is always the responsibility of the board of trustees in accordance with the provisions of its statutes. The process for selecting candidates to occupy the position of trustee and propose them to the board of trustees for appointment is assigned to the Appointments Committee of the organisation or to the specific committee that, where appropriate, may be created for this purpose.

The board should ensure that the selection process for candidates is objective and rigorous and promotes diversity of knowledge, experience and gender.

The board will avoid appointing trustees with lifetime tenure and will promote the renewal of positions, promoting processes for looking for new candidates within the board.

Similarly, in the selection and renewal of the trustees the board will take into account the following recommendations:

- 1) Ensure that candidates' proposals are suitable and respond to the organisation's previously identified needs.
- 2) Take into account their commitment to the organisation and monitor the curriculum and/or track record of the candidates or chosen members.
- 3) Favour diversity of knowledge, experience and gender.
- 4) Avoid lifetime tenure of its members.
- 5) Ensure the parity and promote the presence of women on the Board of Trustees.

2.5. Structure of the board

The board will name a chair, a vice chair and a secretary who cannot be trustees. Trustees who do not hold any of these positions have the status of members.

a) Chair

At the head of the board of trustees is the Chair. He or she must ensure that all trustees and, where appropriate, the various management and joint bodies receive adequate information in good time, set the agenda and matters to be discussed, lead the discussions, ensure that sufficient time is devoted to the discussion and coordinate the board's self-assessment.

b) Vice chair

Her/his role is to replace the chair in cases of vacancy, illness or absence.

c) Secretary

Her/his responsibilities include facilitating the smooth running of the meetings of the board, in particular providing the necessary advice and information to the trustees, keeping the documentation, recording the proceedings of the meetings in the minute books and attesting to their resolutions. The Secretary must monitor the formal and material legality of the board's actions to ensure that its procedures and rules of governance are respected and regularly reviewed.

2.6. Functioning of the board

a) Frequency and attendance of meetings

The board meets for ordinary sessions at least twice a year and, on a mandatory basis, during the first half of the calendar year in order to approve the annual accounts of the previous year.

It will meet for extraordinary sessions, following a call and acting on the initiative of the Chair, as many times as the Chair deems necessary for the proper functioning of the foundation. It will also meet when requested by a quarter of its members.

The Chair will ensure that the members of the board have the necessary time available to attend meetings and that attendance and non-attendance are reflected in the Annual Corporate Governance Report.

Although the general criterion is that members of the board meet in person, trustees may attend and participate remotely in justified cases, and this will be reflected in the minutes.

b) Preparation for meetings

In order to effectively exercise the governing duties, the members of the board will receive notification and the agenda for the meetings, including the related documentation, sufficiently in advance and with sufficient clarity to be able to request additional information if they deem it appropriate and to suggest the inclusion of any item on the agenda.

Where possible, the Secretary of the board, with assistance from the Executive Director, will prepare at the beginning of the year an agenda of issues to be discussed and dates of meetings for the board to approve.

c) How the meetings are developed

The effectiveness of the board meetings depends on the range of viewpoints and the vitality of the deliberative process. In this respect, the Chair will ensure that all the members of the board participate actively in the discussions and debates, seeking to ensure that the sessions reflect the diversity and range of the different points of view.

d) Board meeting minutes

As a collegiate body, the board is legally obliged to properly record its deliberations and decisions in the minutes. The minutes must clearly indicate the points which the board has made a decision or agreement about and the minutes must clearly reflect the agreements adopted.

The minutes must include:

- 1) The date, time and place of the meeting.
- 2) The names of those attending the meeting, the names of those absent and whether or not the quorum required in each case has been met.
- 3) Proxy votes.
- 4) The issues from the agenda which were debated.
- 5) The votes and agreements adopted indicating the quorum reached.

The number, date and agreements from the meetings will be reflected in the Annual Corporate Governance Report.

2.7. Evaluation of the board

The board must assess its contribution to the foundation, as a body and individually, at least once every two years. This assessment has the following purposes:

- 1) Reflects on its collective and individual responsibilities.
- 2) Identifies areas for improvement.
- 3) Focuses on priority objectives.
- 4) Clarifies competencies with the organisation's management.
- 5) Reviews the functioning and the nature of the different commissions.
- 6) Improves teamwork and the trustees' knowledge of each other.
- 7) Shows that the organisation is accountable and is concerned about ongoing improvement.

2.8. Choosing the executive director

Choosing the Executive Director is an exclusive and non-delegable task of the board or, when applicable, of the Executive Committee of the Board. It must ensure that the recruitment process is as rigorous and objective as possible. To do so it must ensure that, prior to recruiting:

- 1) A diagnosis of the organisation's needs has been carried out.
- 2) The profile, skills and conditions of the candidate and his or her financial remuneration are clearly defined.
- 3) The procedure for finding candidates, the selection criteria and the committee or body responsible have been established.

2.9. Evaluation of the executive director

The board will evaluate the performance of the Executive Director on an biennial basis, having previously set its objectives. This assessment will also be carried out prior to any change in pay conditions, unless the change consists of routine adjustments due to inflation or increases in the cost of living. The aims of the assessment of the Executive Director are as follows:

- 1) To avoid his or her continuity being subject to subjective or arbitrary decisions.
- 2) To identify areas for improvement which help him or her to perform his or her tasks more effectively.
- 3) To improve communication between the Director and the board in relation to the objectives of the organisation.
- 4) To establish an objective way of recognising and rewarding achievement.

2.10. Succession plan for the executive director

Educo must always have a succession plan for the succession of the Executive Director which, if it occurs, will facilitate an effective and exemplary transition for the whole organisation.

Below is a list of the good practice that has been implemented in Educo to assist the board in managing the risks of the unplanned departure of the Executive Director:

- 1) **Have a strategic plan for the organisation and clear and defined annual objectives.** The profile of the future candidate is easier to identify when the organisation has a strategic plan and clear and defined annual objectives.
- 2) **The previous Executive Director has been subjected to biennial evaluations.** This way the organisation knows the talents and abilities that the new Director needs to advance the organisational objectives.
- 3) **The board of trustees should be aware of the organisation's most capable and talented directors,** in order to temporarily fill the position or act as interim directors until the board appoints a new director.
- 4) **The board is subject to an biennial self-assessment.** The board examines itself biennial regarding the extent to which it is fulfilling its basic responsibilities: strategic planning, supervision and support for the director, financial and economic control, etc.
- 5) **The organisation has a shared leadership culture.** Educo encourages teamwork, collaborative decision-making, delegation of responsibilities and management training in the organisation because these are practices that contribute to shared leadership throughout the organisation and avoid the risks of overly individualistic and controlling management.
- 6) **Avoid relations with key stakeholder's depending solely on the Director.** Relationships with major donors and other stakeholders important to the organisation are shared between the Director and another member of the board or management team.
- 7) **The board receives regular information about the organisation's main indicators.** Educo has a formalised system through which the board is permanently informed.
- 8) **The basic responsibilities of the organisation's main directors are well-defined and in writing.** If all the management staff know what their tasks and responsibilities are, the departure of a director will not paralyse ordinary operations nor will it generate confusion for individual responsibilities.

2.11. Responsible fundraising

- 1) **Donations.** Educo ensures it will not accept any donations or support that breach applicable laws or internal codes and standards approved by the organisation, or that could jeopardise the fulfilment of its mission or affect its reputation.
- 2) **Destination of funds.** Educo will offer precise and true information to its donors about the destination of its funds, clearly distinguishing the different quantities directly applied to funding programs from those funds used to fund administrative costs and fundraising activities.
- 3) **Confidentiality of donors.** Educo will respect the right to confidentiality of its donors without disclosing any information about them, unless expressly authorised, and subject to compliance with legal obligations.
- 4) **Donors' wishes.** Educo will respect the wishes of its donors, and may not change or use the funds for any purpose other than that stated by the donors without their express authorisation. The material used or any action carried out to request funds will clearly indicate whether the funds will be used to finance a particular programme, several programmes or whether the organisation is free to decide how the funds will be used.
- 5) **Donation certificate.** Educo will provide its donors with a certificate that certifies the donation made and allows them to comply with their tax obligations.
- 6) **Response to requests for information from donors.** Educo will aim to give a quick, clear, truthful response to requests for information from its donors. The board must be informed of any claim or complaint that comes from a donor about misuse of funds or any other action that may jeopardise the integrity of the organisation. Educo will maintain transparent and fair communication with donors, and will respond promptly to donor requests.

2.12. Financial control and supervision

This section includes practices that tend to facilitate greater clarity and transparency in the economic and financial information, as well as a more rigorous control of the foundation's economic activity that contributes to guaranteeing future sustainability. In this respect, the board will ensure that Educo:

- 1) Keeps an **adequate record of its economic activity** that conforms to generally accepted reporting standards (Balance Sheet and Profit and Loss Account) and receives regular information on the financial situation.
- 2) Is **audited** annually by an external independent expert and a register is kept with the identification of donors.

- 3) **Allocates at least 70 per cent of its net annual income to financing its programs and activities.** Similarly, the board will ensure that the establishment of reserves for contingencies is duly justified and does not exceed reasonable limits.
- 4) **Does not provide loans** (or carry out similar transactions, such as acting as a guarantor, transferring ownership of a residence or office, settling a debt, etc.) in favour of its employers or directors. All operations carried out between the foundation and its trustees will be considered as **related transactions**.
- 5) Has **general criteria for the remuneration of senior management** (Executive Director and, where appropriate, Deputy Executive Director) approved by the board, which ensure that the salary expenses of the foundation's senior management are in line with market pay rates.
- 6) Approves clear, written criteria about the **reimbursement and justification of any expenses incurred by trustees** while fulfilling their responsibilities as members of the governing body. These criteria will stipulate that travel on behalf of the organisation will be carried out in accordance with austerity criteria and in no case will the foundation reimburse the expenses of family members accompanying trustees on any activity related to the organisation's affairs, unless their presence is necessary for the successful completion of the assigned task.
- 7) Develops policies and practices to ensure that its **assets** do not lose value and that its **funds are invested** responsibly in accordance with legal requirements.

3. Management bodies and joint bodies

The exercising of the duties of the board makes it advisable to delegate certain duties to certain management bodies and joint bodies, the creation, composition and functioning of which is the responsibility of the board of trustees or the Executive Director, as applicable.

Management bodies are those bodies whose primary function is the organisational, functional, executive and strategic management of the policies, guidelines, plans and programs approved by the governing bodies of the foundation. Likewise, the management bodies are responsible for steering and delivering the implementation of the corporate and strategic objectives within the exercising of the foundation's activity in order to fulfil the mission and achieve the goals of the foundation. Its creation, as well as the determining of its duties, composition and functioning is competence of the board, the Delegate Commission of the Board or the Executive Director.

The management bodies of the foundation are the Executive Director, the Deputy Executive Director, the Head Office Management Committee, the Global Management Committee, the Country Directors and the Area Directors.

Joint bodies are those bodies which do not have only one single function, whether managerial, executive, supervisory or control, consultative or advisory or otherwise, but which participate in several tasks complementarily. Their creation, as well as the determining of their duties, composition and functioning is competence of the board or the Delegate Commission of the Board. The joint bodies of

the foundation are the Appointments Commission, the Internal Audit Committee, the Compliance Committee and the Compliance Committee.

The duties, composition and functioning of these bodies are those which are described in **Educo's Organic Regulation**. The board or the Executive Director will always ensure that the people appointed to these bodies have the availability, competencies and aptitudes necessary to perform the duties assigned effectively.

5. Annex 1

MODEL OF THE LETTER OF COMMITMENT TO THE CODE OF GOOD GOVERNANCE AND GOOD MANAGEMENT PRACTICE

[This must be filled in and signed by the members of the management and joint bodies, except for the board and the Executive Director]

I hereby certify that I have read and understand the Good Governance and Good Management Practice Code, as well as the standards of conduct, ethical principles and rules contained in the Code that are to guide my actions as a member of the *[name of the body]* when exercising my duties and responsibilities.

I commit to respecting and fulfilling the Code of Good Governance and Good Management Practice to contribute to achieving the purposes of the foundation, to improve the service the organisation provides to its beneficiaries and the general public and to strengthen the public's trust in Educo.

In *[place]* on *[dd/mm/yyyy]*

[Name and surname]

[Signature]