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## **1. The context of the European Union in terms of CSR, as a framework for the policies and regulations established in Spain.**

The work carried out on CSR in the European Union has surpassed all other work throughout the world. The Union is the only supranational regional authority that has tackled the issue as yet. Moreover, CSR may constitute a very original form of natural development as part of the European social model.

In the literal wording of Conclusion 39 of the 2000 European Summit in Lisbon: “The European Council makes a special plea to the sense of social responsibility of companies regarding suitable practices concerning continued training, organisation of work, equal opportunities, social integration and sustainable development”.

Several months later, the European Social Agenda adopted at the Nice Summit in December 2000, also included a reference when stating, in point d) of section II: “to support initiatives relating to corporate social responsibility and to managing the change, by means of a Paper issued by the Commission”.

Therefore, the Green Paper on CSR published in July 2001 -the first Paper issued by the Commission- initiated considerable debate and helped to open discussion regarding certain basic concepts and characteristics of CSR, which in turn were gathered in the later Paper published in 2002 on “corporate social responsibility: a business contribution to sustainable development”.

Recently, in the Conclusions of the European Summit in Brussels on 22 and 23 March 2005, under the heading: “an attractive place in which to invest and work” in Conclusion 20, it is stated that companies: “must develop their social responsibility”.

Likewise, the European Social Agenda, which was presented by the Commission in February 2005 and will be debated in the heart of the Council throughout this year, also speaks of promoting CSR, stating in the section “a new dynamic for labour relations” that: “The Commission will continue to encourage corporate social responsibility. In order to increase the efficiency and credibility of these practices, the Commission, in cooperation with the Member States and leading players, will present initiatives aimed at further improving the development and transparency of corporate social responsibility”.

When dealing with this matter, it is recommendable that notice should be taken of the discussions in progress or that have taken place in the various forums in Europe, such as the “Multi-stakeholder” forum of the

European Commission, the High Level Group of Representatives of Governments and the European Parliament.

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The work carried out within the European context is therefore a fundamental framework for creating national CSR policies.

Nevertheless, we can and must also contribute to better defining common European policies through progress made in terms of national CSR policies and through the “cooperation” of “Member States”.

## **2. Regarding the European and global nature of CSR.**

When dealing with corporate social responsibility, the European and the global perspectives are complementary and essential.

Corporate social responsibility is not generally limited to a company's activities within a single country and there are no solutions for several different business decisions within the framework of a single State. The global context in which many companies operate brings to light the existence of legal vacuums and lax legislations, which must be covered by means of public policies, international multilateral initiatives or social responsibility policies adopted by companies.

The global nature of CSR is expressly acknowledged in the Commission's Paper on CSR, issued in Brussels in 2002, which states that “Global governance and the relationship between trade, investment and sustainable development are crucial aspects in the debate on corporate social responsibility”.

Progress made in terms of CSR by companies in Spain, in as far as their activities are global, must also possess a global dimension, as well as reflecting responsible activities in all of the areas in which such companies operate.

Taking the European Union as a starting point, the concepts contained in the rulings and documents of international institutions must be integrated into CSR, paying particular attention to those of the ILO and its agreements, the OECD and its Guidelines for Trans-national Companies, or initiatives such as the World Business Council for Sustainable Development. It is also vital to bear in mind the role of the United Nations as a basic reference for international law and global legitimisation, with both the Universal Declaration of Human Rights and the Global Pact to be understood as two essential aspects of the framework of CSR in Spain. Similarly, the Millennium Development Goals, the anti-corruption Regulations, the Recommendations on responsible consumption and the Ruling of the High Commissioner regarding Regulations on the Human Rights responsibilities of trans-national companies and other commercial companies, all of which are

UN initiatives, must also act as instruments aimed at encouraging CSR in Spain.

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### **3. Objective and definition of CSR**

The objective of CSR is sustainability based on a strategic and integrating process in which the different agents of the society affected by the company's activities are identified. The development of CSR requires the establishment of channels that are necessary for the accurate identification of the different stakeholders and their needs from a global perspective, as well as the introduction of management responsibility criteria affecting the entire organisation and its value chain. Responsible policies undertaken by companies provide results that may be measured by indicators, which must be verified externally and communicated in a transparent manner.

In addition to representing a strict compliance with current legal obligations, Corporate Social Responsibility represents the voluntary integration of social, labour, environmental and human rights concerns arising from transparent relations and dialogue with stakeholders into a company's administration and management, strategy, policies and procedures, and the acceptance of the consequences and impact of its behaviour.

A company is socially responsible when it responds successfully to the expectations of its stakeholders. CSR refers to the manner in which companies are governed with regard to the interests of their employees, their clients, suppliers, shareholders and their ecological and social impact on society in general, with regard to a manner of managing the company that respects all its stakeholders. This involves a strategic type of approach that has to form part of the everyday management of the decision-making and operations of the whole organisation, generating value in the long term and contributing considerably to achieving lasting competitive advantages. Hence the importance of the fact that the governing bodies and the management of companies both take CSR into their outlook.

Although social responsibility is first of all the duty of companies, it extends to all organisations that contribute added value to society, no matter whether they are public or private, profit making or non-profit making.

### **4. The scope of CSR**

The scope of Corporate Social Responsibility lies both inside and outside the company.

Within the company, this refers firstly to respect for the environment in the running of the company, insofar as the quality and preservation of the environment, as a framework for life and as a source of wealth and concerns the stakeholders. Secondly, it relates to the rights of employees to free collective negotiation, to equality of opportunities between men and women, to non-discrimination based on age, racial or ethnic origin, religion or disability, to health and safety in the workplace, and to reconciliation between their personal or family life and their work.

Outside the company, it refers to strict respect for the rights of the clients and consumers that purchase the company's products and services and the rights of their suppliers. It also relates to respect for Human Rights and to non-connivance with corruption or bribery. In terms of social action, it relates to the assignment of human technical and financial resources and to economic, social, environmental and cultural projects related to people who are at a disadvantage within their family environment or in the region or regions where the company operates.

Corporate social responsibility covers all the company's operations in the country of origin and abroad and also involves the company encouraging its suppliers and subcontractors to follow the same criteria of responsibility in their work.

CSR involves a new kind of business management that takes into account all the parties concerned through its policies, procedures, systems and measurement indicators. In these matters, it is necessary to distinguish between the processes aimed at greater responsibility of the company that are involved in this management model and some business philanthropy practices that dispense with any internal changes directed at more responsible management practices. With regard to this aspect, the public reference framework and public CSR policies will refer to social behaviour that is strictly integrated into the responsible running of the company.

## **5. Social actors of CSR.**

The actors involved basically depend on the type of business activity carried out by the company and on the geographical area where it operates, so that each company will have a certain set of interested parties that will be dedicated to the responsible running of the company.

From a general point of view, the main parties involved in CSR are companies (regardless of their size) and all economic and financial organisations and associations, either public or private, profit or non-profit making.

There are also various different agents of civil society that are active in CSR: employees, consumers and citizens' interest groups represented by social institutions. These include trade unions, consumer or user organisations and responsible investment institutions. There are also a wide range of associations, foundations and Non-Governmental Organisations that cover areas such as the defence of sustainability and respect for the environment, development and humanitarian aid, the defence of Human Rights, support for a fairer social and economic structure in the world, the defence of family or professional associations, the defence of civic liberties or the promotion of CSR and Social Economy.

## **6. The social nature of CSR.**

CSR is a three-dimensional process of the company itself.

It is a process that is set in motion and developed within the company.

The most important roles are played by the various social agents mentioned above.

Finally, its objective is social because it is aimed at: improving the social role of the company, going further than simply complying with existing legislation; fulfilling its responsibility with regard to all the actors that participate or are beneficiaries of the results of the production process. As its name suggests, it is the company's "social" responsibility, its responsibility to society.

## **7. CSR as a process of dialogue and social agreement**

The circumstances required for CSR are dialogue and agreement between all the parties concerned.

The outcome should be that companies adopt socially responsible practices as a result of dialogue and agreement between all the groups concerned.

## **8. Public CSR policies.**

The public authorities must aid the smooth running of this process of dialogue, taking into account, on the one hand, companies and organisations and, on the other hand, the groups affected within society.

But beyond this, the public authorities may take a positive and active standpoint, supporting the responsible behaviour of companies so that in years to come and in accordance with citizens' sensitivity and demands, Spanish companies adopt responsible management practices in Spain and in their business abroad. This can be done within the company itself and by involving their suppliers and subcontractors.

CSR contributes to improving the overall standard of the company's management and helps it to play a more positive role for all its stakeholders and for society as a whole. The social use of spreading CSR practices may therefore be two-fold: to increase companies' positive contributions to society and, above all, to consolidate a more efficient, sound and competitive business structure. Consequently, by increasing CSR it is possible to strengthen the competitiveness of the national economy and its capacity to develop. It therefore seems absolutely logical and positive for the Public Authorities to consider encouraging and expanding CSR, as it regarded as something that is clearly beneficial for the country's economy and for society as a whole.

The public authorities can and must establish public policies such as those laid out below:

- 1) Sets of policies that encourage and provide incentives for CSR, and which are applicable not only to large companies but also to SMEs.
- 2) The crucial aspects that give CSR credibility and strictness must be regulated and universalised: companies should provide reports for the interested parties and for society in general and should bear out these reports.
- 3) CSR must be promoted through education and training, information and technical support for its development among the various different agents in civil society, throughout society in general, and particularly among companies and their directors.
- 4) It must be ensured that the groups concerned enjoy the right to be heard, that is, consumers, employees, civil society organisations with interests in the company, whether they are related to the environment, Human Rights, development, etc.
- 5) Mediation between these and companies should be through the creation of instruments of discussion and coordination.
- 6) The public authorities must also promote within the State itself the same norms of responsible behaviour as it tries to encourage in

society, in all its economic activities, public companies and public organisations.

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- 7) Finally, the public authorities must take Social Responsibility criteria as a guide for all administrative regulations, in order to protect the rights of consumers, among others, to prevent the violation of human rights, to ensure that decent and non-discriminatory working standards are observed in the greatest possible measure and to respect the environment. Likewise, attempts should be made to eradicate corruption and provide protection in any other area where basic rights are seen to be vulnerable.

## **9. CSR and socially responsible investments.**

To the extent that there is already pressure from some investors for companies to behave responsibly, financial institutions are responding to this demand with “ethical” or “socially responsible” products. These so-called socially responsible investments have become an important and positive means of implementing changes within this new development of companies.