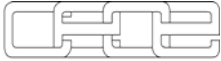


CORPORATE SOCIAL RESPONSIBILITY

November 2006



OVERVIEW

We are witnessing a proliferation in both Spain and worldwide of highly diverse proposals—public and semi-public, domestic, European and international—regarding what is known as corporate social responsibility.

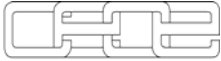
The CEOE (Confederación Española de Organizaciones Empresariales - Spanish Confederation of Employers' Organizations), through its Social Responsibility Committee, has been closely tracking these initiatives, primarily through its presence and participation in different institutions and forums. The Committee is the only one of its kind in Spain, because it is made up of companies of different sizes and from different industries, as well as representatives from a variety of industry and regional employers' organizations.

In addition to tracking these initiatives, the Committee has created an explanatory and at the same time practical document intended to serve as a reference.

The document, presented to the CEOE's Board of Directors, has **three key aims**:

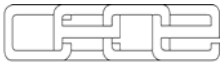
- I. To **reflect on the actions of the public authorities and the confusion of concepts and roles** in this sphere, placing special emphasis on the fact that the creation of wealth and employment as the primary function of business should never be questioned, and on the **voluntary nature** of activities of this type, versus the impositions or new direct or indirect obligations that are often proposed in different circles. Similarly, the **gradual** development of these activities is underscored, compared to linear or rigid requirements.
- II. To offer **companies that wish to undertake or expand their social responsibility initiatives some explanatory and illustrative guidelines**, based on broad consensus and taken from the contributions of different companies and employers' organizations of all sizes from a variety of industries. A stated premise is that the aim is never to establish minimums in this area; therefore, **any intent to relate its contents to obligations or minimums has been avoided**, and all guidelines have been linked to improving the company's competitiveness.

An effort has also been made to eschew overly complex, academic or theoretical perspectives and to ensure that the criteria reflected adapt to the specific characteristics of businesses in different industries and



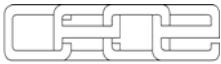
geographic areas, with special emphasis on small and medium-sized enterprises.

- III. To present some proposals for future action, with the aim of disseminating these reflections and criteria in the business world and of **clearly transmitting the most consensus-based business perspective to different public and private institutions**. Special attention is given to proposals by the public authorities that may distort both the nature of these corporate activities and the essence of social responsibility practices.



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I. INTRODUCTION.

The **perception of the role companies play** in society has changed over time, and now more than ever it can be stated that developed societies regard the promotion of the entrepreneurial spirit and business initiatives as the basis of social welfare and progress. However obvious this affirmation may seem, it is not superfluous if one considers the fact that a profound evolution in both social and economic terms has been necessary to achieve a greater appreciation of the value that business contributes.

In fact, ensuring that society in general continues to view business as a source of value is a constant challenge, not only for the companies themselves but also for the public authorities, who are interested in creating a climate that favours their growth.

In March 2003, the **CEOE's** Executive Committee adopted a **Declaration** mostly aimed at helping to clarify the debates and warn of the risks that might be involved if the primary role of business is questioned.

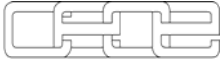
This Declaration pointed out how important it is for society as a whole to understand and value the fact that companies must first face the immediate challenge of their own viability, which can only be done by creating wealth and added value.

However, it also emphasized the voluntary, gradual development of corporate social responsibility initiatives, whose different forms and motives should not call the companies' main contribution to society into question, but, on the contrary, may reinforce it.

On this basis, **CEOE's** social responsibility team, now known as the **Social Responsibility Committee**, has defined common approaches and has exhaustively tracked different initiatives, primarily through its presence and participation in different institutions and forums on this subject.

This Committee is undoubtedly the only one of its kind in Spain, as it is made up of companies that have developed ambitious social responsibility strategies in this country and companies that are just getting started in this type of practice, as well as representatives of the most significant industry and regional organizations, which also look out for the interests of small and medium-sized enterprises.

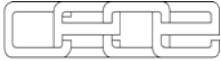
This gives very specific weight to the proposals it has arrived at, which touch upon a variety of issues that trigger different types of feelings in different business spheres.



The work this Committee has carried out has made improved consensus possible among companies regarding a variety of initiatives, based on widely shared **premises**, such as:

- Not questioning the company's primary function and the **voluntary nature** of activities of this type, versus the impositions or new direct or indirect obligations that are often proposed in different circles.
- The close and necessary link between social responsibility initiatives and the **viability and competitiveness of the business activity**.
- The **gradual and progressive development** of such initiatives, compared to linear or rigid requirements, taking the different starting and end points into consideration in accordance with different contexts and needs.
- How well they **adapt** to different industries, geographic contexts and business sizes, with special emphasis on SMEs.
- The **importance of highlighting what companies have been doing** in this field for some time, which should be recognized as social responsibility contributions.

Based on the Declaration and on the above premises, this Committee has made an effort to present a social responsibility proposal that has its origins in the following context.



II. PRIOR CONSIDERATIONS.

II. 1. REASONS FOR THIS PROPOSAL.

1.1 Context of existing corporate social responsibility initiatives

There is already a **long tradition of additional contributions** from companies that support causes of general interest, such as the integration of underprivileged groups, philanthropic activities, work-life balance, collaboration with local public authorities, environmental improvement, etc.

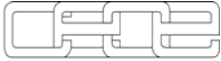
A heightened social and corporate awareness of certain realities that are of special concern, such as serious violations of the most fundamental rights, the lack of the basic conditions necessary for a decent life, the deterioration of the environment, etc., **has created favourable conditions for an increase in the development of such initiatives in recent years**, in some cases in cooperation with other organizations that can contribute to improving the situation in question. Globalization and economic integration have also spurred the development of these initiatives, in that they enable many companies to maintain global, consistent guidelines regarding these realities in the different geographic areas in which they operate.

While **some companies** in Spain had already undertaken corporate social responsibility activities (usually large companies with an overseas presence), others—especially SMEs—**were and are still unaware of the content and scope of such initiatives and needed and still need reliable information** about efficient social responsibility practices.

To date, the **companies that have developed** these practices have been using **different social responsibility criteria**, including:

- Adopting one or several existing codes or standards.
- Promoting and boosting social action through donations or by financing humanitarian projects and philanthropic policies.
- Basing their programmes on the management models of other companies regarded as benchmarks.
- Improving social responsibility-related strategies that had already been in use.

The specific nature of the activities of small and medium-sized enterprises must also be mentioned. Numerous SMEs are already



making different types of contributions over and above what they provide to society, often without realizing it.

Although these contributions could be further developed, the SMEs often have to deal with obligations imposed by exhaustive, extensive regulations, in a very competitive context and with very limited resources.

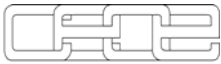
Therefore, their social responsibility practices often focus primarily on internalizing the principles that inspire the regulations applicable to them, which means seeking excellence in meeting their own obligations.

All of these actions indicate the commitment that a large number of companies have undertaken to improving the environment in which they operate. However, the **main challenge** for all of them in this sphere, regardless of their size, industry or geographic location, lies in the fact that these initiatives must be **integrated** into their own **culture and values**, and be **consistent with the company's essence and productive activity**, so that they strengthen its ability to compete and to be viable in the medium to long term.

This is why recent experiences mainly seek to integrate the management of their social responsibility actions with their different business lines or productive activities.

In addition to this challenge, the development of efficient social responsibility policies involves overcoming **another series of obstacles that are far from trivial**, primarily:

- The internal diversity of the company itself or of the business group.
- The need to allocate sufficient human, technical and economic resources to these activities.
- The complexity of simultaneously managing highly diverse issues (such as customer service, environmental management, etc.).
- The weakness of public institutions, especially in developing countries, which determines the efficiency and impact of the company's contributions to the improvement of its environment.
- The different social mentality in different geographic contexts.



- The difficulty of identifying representatives of the different stakeholders who are willing and able to get involved in projects that involve joint commitments.

1.2 Context of public and external social responsibility initiatives

Aware of this trend toward the development of corporate social responsibility practices, a variety of public and academic agencies and different organizations outside of the business sphere have launched initiatives in the last five years to promote and influence them from different perspectives (social, labour, environmental, social action, etc.). It can be stated that we are witnessing a **proliferation of proposals at every geographic level**—international, European, Spanish and regional—with highly diverse content and implications in both the regulatory and institutional spheres.

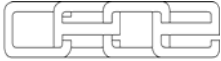
In summary, organizations of all kinds, all legitimate in their own right, want to create their proposals for the development of corporate social responsibility practices.

Perhaps this sudden chaos has given rise to a significant degree of **confusion that, to a large extent, still exists**. Indeed, social responsibility is still sometimes only associated with corporate philanthropic activities; at times with a mere improvement in the transparency of corporate governance; on occasion as part of the debate on compliance with current domestic or international regulations¹; and on still other occasions, it is associated with a mere communication, marketing or business ethics policy.

Many of the approaches to this phenomenon are also based on **overly theoretical or academic assumptions** that show a lack of awareness of or do not pay enough attention to the actual needs and limitations of the companies' daily business.

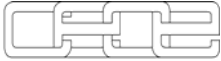
Diametrically opposed to the initiatives springing up in Europe or internationally is the growing number of **proposals** from the public sector in Spain (e.g., in the area of public contracts, in the commercial policy of States, or in connection with the promotion of mandatory reporting or verification systems). Even though they are formally presented as voluntary initiatives, **in practice they may automatically exclude from the market any companies—usually the smaller ones—that cannot commit to them**.

¹ It has even been interpreted as meaning that the companies are subject to International Law, with their responsibility being confused with the international responsibility of States. ¹



It can never be emphasized enough that the main feature of these initiatives is their **voluntary nature**. Even without calling into question the good intentions that may underlie them, the inclusion of **measures that indirectly involve coercion** restricts social responsibility activities, crippling their diversity and their genuinely voluntary character. Even worse, an unnecessary cost is added that is detrimental to the very competitiveness of the productive fabric and to the companies' primary contribution to society.

Finally, as has been reiterated on several occasions, many of these initiatives are formulated by the public authorities and other organizations **without expanding or acknowledging their own responsibility** in achieving objectives of general interest. It is **not very realistic** to expect institutional weaknesses and social failings, especially in developing countries, **to be offset exclusively through corporate activities**. This is a complex task in which responsibility must be shared among all of the agents involved, and the public authorities should be the first to set the example.



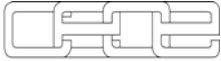
II. 2. OBJECTIVES.

In light of the context described above, the CEOE's Social Responsibility Committee has formulated some proposals designed with a clear, specific and practical focus on the future development of social responsibility.

Their objectives are the following:

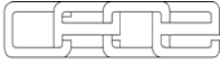
- To help **clarify concepts**, providing accurate information on the concept of social responsibility and its practices, in order to prevent the confusion described earlier.
- To provide companies that want to efficiently implement social responsibility programmes with a **practical, illustrative and effective** reference.
- To **link** these initiatives to **efficient management**, so that they promote the aims of competitiveness and productivity that companies must undertake. To this end, it is encouraged that they be designed as cross-cutting policies that move outwards from the core business activities to the company's different processes and management systems.
- **To facilitate the adaptation** of possible initiatives in this area to the company's productive **sector**, to its size and to the geographic context in which it operates, with special emphasis on SMEs.
- **To make gradual progress possible**, taking into consideration different initial situations and the level of development that the company can achieve in relation to its different stakeholders.
- **To favour the recognition and identification of existing social responsibility practices** that can be considered noteworthy additions that reinforce the contributions of business activities to society as a whole (for example: work-life balance, environmental guidelines, quality management systems, etc.).
- To ensure that corporate actions in this sphere are **transparent**, so that progress is visible and credible.

As there are already initiatives and agencies promoting social responsibility, these proposals are **based on the experiences of different companies that have presented their contributions to us, on the work of employers' organizations** from a wide variety of



industries and geographic areas, and on an **analysis of existing instruments** in this sphere. Common minimums and points of convergence have been identified in these different sources.

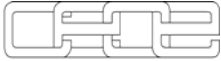
This is an **open-ended document** that can be improved both qualitatively and quantitatively with new contributions, and can be more specifically developed in light of the interchange of practical experiences that can be shared via conferences, forums, etc. of a general nature or those dealing exclusively with this subject.



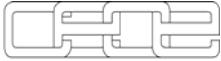
II. 3. GENERAL PRINCIPLES OF SOCIAL RESPONSIBILITY

Some widely accepted **principles** that served as the basis for this document are described below:

1. The **main function of companies** is to **create wealth** while complying with current regulations and ethical practices, and in achieving this end, to generate employment and contribute to the welfare of society as a whole. All employers who satisfy this premise create a positive impact in the environment in which they operate. Any additional contributions demonstrate a heightened commitment to society, but do not call into question the main contribution and responsibility of those companies that cannot or legitimately do not wish to make them. Furthermore, social responsibility activities are subordinate to this primary purpose and to the need to ensure the competitiveness of the business fabric.
2. **Voluntariness:** Social responsibility is voluntary. It refers to a commitment to incorporate social, labour and environmental criteria into business management, in an effort to involve the different stakeholders directly affected by the company's actions in its management. The voluntary nature of this commitment must be fully accepted: any public initiatives that indirectly impose certain social responsibility activities on companies, especially SMEs, go against the concept and essence of social responsibility.
3. **Added value:** It is precisely because of this rigour that social responsibility must be viewed as an instrument that helps create an added value that has an impact on improving the company in the medium to long term. This added value is measured in relation to the attention it gives to the different activities that affect its most important stakeholders (including customers, consumers, shareholders and investors), in accordance with the specific nature of the business and the environment in which it operates.
4. **Efficiency:** In general terms, the aim of social responsibility is the continuous improvement and efficiency of the business project. The short and long-term economic viability of the company must be taken into consideration in its management, with the rigour of a financial investment.
5. **Integration:** As indicated earlier, social responsibility actions should tend to be progressively incorporated into the company's different policies, so that they move outwards from the core business activities to extend to the different processes and management systems.



6. **Adaptability/Flexibility:** Any social responsibility initiatives that are undertaken cannot, in the interests of efficiency, be set within an excessively rigid framework; rather, they must ensure that the unique characteristics of the business, the geographic area in which it operates, the size of the company and other specific features are taken into consideration when implementing particular actions.
7. **The universality of social responsibility:** In their daily activities, all companies can carry out social responsibility-related actions, regardless of their size or the industry to which they belong. Excluding some companies because of strict and unrealistic requirements or thresholds is not only unfair but also counterproductive to the end pursued, as it may discourage new corporate initiatives of this type.
8. **Transparency:** Companies are free to choose whether or not to become involved in the area of social responsibility, depending on whether they think it may have an impact on strengthening their market position or because of ethical considerations or other motivations. However, it is important that the initiatives undertaken in this field be carried out with at least minimal clarity and rigour to avoid a loss of credibility. With the proper approach, the transparency of the actions undertaken may serve to inspire greater confidence in these actions both within and outside of the company.
9. **Communication:** It is important that the company be aware of and gradually incorporate the expectations of its most significant stakeholders, in accordance with the specific characteristics of its business. However, only if there is a culture of shared responsibility and the capacity for mutual commitment will it be possible to gradually incorporate communication with these stakeholders into the management of the social responsibility initiative, which will contribute to obtaining more efficient results.



II. 4. SCOPE.

Based on the guiding principles described above, the following parameters were used in developing these proposals:

1. Realistic and practical approach.

The aim is not to design a programme whose content is exhaustive but not realistic; the content should be easily understood and communicated and, at the same time, involve effective efforts to achieve realistic, efficient and, if applicable, measurable objectives relating to the end pursued.

2. Adaptation to different needs and initial situations.

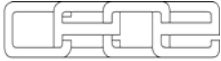
Bearing in mind the fact that different companies may be interested in developing some areas more than others (e.g., customer-focused activities may be more developed than actions relating to the company's environmental policies), **the intent is not for all companies to achieve or pursue the same level** of recognition with all of their stakeholders, but to adapt these objectives to their own goals, needs and specific characteristics. Another aim is for the companies to **identify and give greater visibility to any social responsibility actions that are already underway**, even if they have been ongoing for some time.

3. Compliance with legal obligations and social responsibility.

Social responsibility activities **cannot be confused with mere compliance with legal obligations**, nor can they serve as justification for non-compliance with such obligations. Nevertheless, part of the content of these criteria may coincide with the requirements of current regulations, for the following reasons:

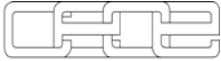
- **It is important to take into consideration the extensive legislation** in certain geographic areas (primarily in developed countries) and subjects (e.g., risk prevention and environmental regulations, to name a few), which leave little room for action, especially for certain companies (SMEs).

The added value that the company can contribute in these cases lies partly in assuming the principles that proceed from certain obligations, not as a requirement or legal obligation but as a principle for action relating to its values, culture and strategy.



The quest for excellence in complying with current regulations can be an effective indication of commitment to the environment in which the companies operate.

- Finally, in the case of multinational companies, it is important to consider the fact that many of the basic legal requirements in our domestic legislation do not appear as such in developing countries, or even contradict the ones in these countries.
- In any case, it is understood that **explicit reference to current Spanish and international regulations serves no purpose**, because of the uncertainty that the highly diverse nature of these regulations and their interpretation may generate. Rather, these instruments were used as guides in developing these proposals.



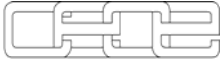
III. CRITERIA FOR THE DEVELOPMENT OF SOCIAL RESPONSIBILITY.

III. 1. Criteria for the application of social responsibility.

To efficiently develop social responsibility initiatives, their implementation or launch must correspond to an **actual business strategy**. Isolated or sporadic actions, or those that lack follow-up, produce limited value or returns for companies and/or their stakeholders, even though they may be indicative of a commitment. Therefore, the same as with other types of strategic activities, comprehensive and structured action is required.

Below is an outline of stages that has been developed based on different contributions from companies with highly diverse practices in this sphere. It will serve as a guide for companies that want to get started with social responsibility practices as their own possibilities for involvement allow.

- **Stage 1: Commitment and strategic definition:** Before undertaking a strategic plan for social responsibility, companies that take this initiative try to conceive cross-cutting actions in this field that involve different company activities, in which the participation of different management areas is necessary. Therefore, the explicit commitment of the company's top management is usually the first step. This commitment can be expressed in many ways, such as:
 - Statements from the Chairman (the organization's Board of Directors) in corporate communications: annual reports, speeches, institutional events, etc.
 - In the case of an SME, the commitment may be based on a decision of the business owner, formally expressed either in writing or verbally.
 - In companies that are large enough, this commitment is reflected in the creation of a specific area for the management of the social responsibility programme. On occasion, however, it is decided to expand the responsibilities of an existing area. It may be assigned to such departments as Communications, Investor Relations, Human Resources, Quality, Environment, to the company's Foundation or to the Chairman's staff. In any case, it is important that this area have a certain degree of independence, in order to strengthen the comprehensive management of the social responsibility programme.



➤ **Stage 2: Identification of the stakeholders at whom the social responsibility actions will be aimed.**

Business activities have an impact on society in terms of wealth and employment. Above all, they affect those who are known as “stakeholders”, a concept that encompasses, among others, shareholders, customers and consumers of the service that is provided. Also included are the workers themselves and, on occasion, suppliers or vendors. In addition to these business activities, some companies provide other contributions of general interest (social integration of groups at risk of exclusion, cultural dissemination, protection of the environment, etc.).

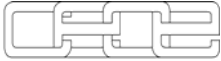
The identification of such stakeholders takes place prior to the development of a diagnosis and an action plan. However, strictly speaking, it does not consist of identifying their representatives or of establishing channels of communication or dialogue, which corresponds to another moment, even though some companies establish these lines of communication with their stakeholders from the outset.

➤ **Stage 3: Internal and external diagnosis:** Many companies have very successful social responsibility policies without even being aware of it (this issue is particularly significant among SMEs), and even before they take their first steps in managing social responsibility.

Therefore, in this third stage, the company should make an **effort to locate, analyze and assess any internal practices** that already exist. This process will, firstly, provide a snapshot of the existing situation, in which the following can be identified:

1. Any social responsibility policies that are already being implemented in the company and that can be measured, further developed, enhanced or improved by, for example, moving them to other business lines or other companies in the group.
2. Any gaps or defects in the snapshot of social responsibility policies. With these two processes, the elements necessary to design a strategic plan for social responsibility are obtained.

➤ **Stage 4: Implementation:** Once the primary stakeholders have been identified and the diagnosis of the current situation has been performed, **the company usually determines what social responsibility policies**



have the highest priority, in accordance with a variety of critical factors: their nature, the size of the business, the economic and human resources, the company's general strategy, the corporate values, etc. From the time the implementation stage begins, these factors are taken into consideration in designing social responsibility policies and in the work methodology, in order to ensure that they extend to all levels of the organization.

Because social responsibility encompasses a broad range of concepts, and depending on the size of the company, it may be more practical to create small projects or work groups for each project, in those projects aimed at managing relations with a particular stakeholder.

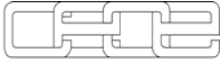
From the outset, many companies design policies that can be measured through indicators, so that their degree of effectiveness, their impact on the aim pursued and their added value to the business can be determined, and guidelines for continued improvement can be developed, if this is necessary. However, as pointed out below, this measuring corresponds to a more advanced stage that not all companies are able to carry out.

In any case, social responsibility objectives should be defined as clearly as possible to ensure that they are:

- Realistic and achievable in the medium to long term (they do not necessarily have to be ambitious).
- Efficient in relation to the overall end being pursued.

➤ **Stage 5: Measuring:** Measuring **can be useful** in implementing a social responsibility plan, although **it is not always necessary**. One of the major challenges for those who have to deal with any social responsibility management policy is precisely the difficulties posed by the **measurement of intangibles**, whose short-term impact is not readily visible.

Certain quantitative and qualitative indicators are used by different companies as an important tool for finding out not only how effective the measure is in relation to its beneficiaries (e.g.: the number of consumer complaints resolved satisfactorily), but its impact on the objective being pursued (e.g.: improving customer satisfaction levels). Companies are becoming increasingly aware of how important intangible assets are, and of how vital it is to be able to assess them.



The mechanisms for measuring should be sufficiently clear, and should not be too extensive or complex, so that they do not represent an excessive administrative burden that the company cannot manage, especially in the case of SMEs.

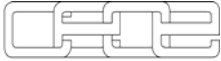
Likewise, in the interests of clarity, the measurement should be linked to the company's volume of activity or general presence in society. What might seem like a small contribution in absolute terms may take on much more significance if the effort that the company as a whole has put forth to achieve this result is taken into account.

Nevertheless, it is important to point out that **not all companies can allocate human and technical resources to performing measuring activities**. This is a more advanced social responsibility management stage whose usefulness will depend on the size of the company and on its industry. The objective is not so much the measurement in itself as the quest for transparency in the social responsibility actions undertaken.

- **Stage 6: Reporting:** Achieving a minimum of clarity in the management of social responsibility activities can help strengthen the credibility of social responsibility policies. For this reason, some companies regularly issue reports to provide information on the management of their social responsibility programmes, and if applicable, on the results obtained. Thus, this information is disseminated within the company itself and also reaches the stakeholders at which it is aimed.

Sustainability reports and corporate responsibility reports can be useful, as can some internationally-used reporting and indicator systems, although they are not the only way that social responsibility actions can be made known. SMEs, for example, may opt for simpler dissemination methods that show the degree of progress in relation to the additional contributions made to benefit the environment in which they operate.

In any case, it is impossible to recommend a single reporting system because of the specific nature of the business context and the diversity of practices in this field. Mandatory reporting activities are even less advisable, beyond promotional purposes, as shown by the ineffectiveness of the few experiments of this type that have been established in countries in our milieu.

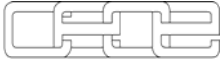


➤ **Stage 7: Dialogue or communication with the different stakeholders:**

As indicated earlier, either simultaneously with the implementation stage or at a later time, some companies gradually establish communication and dialogue channels that enable them to more realistically learn what the expectations of the stakeholders targeted by the social responsibility actions are. The main difficulty in this area lies in establishing a climate of mutual trust that favours free-flowing and candid communication. Ideally, the predisposition for mutual commitment and constructive cooperation should be ascertained and fostered in advance.

There are different possible actions relating to this area, ranging from a mere notification of the activities carried out, or the establishment of channels for dialogue (regular meetings, forums, etc.), to joint cooperation in social responsibility projects or activities.

➤ **Stage 8: Improvement and Excellence:** The social responsibility plan should always make a change in focus possible. In other words, the plan should be flexible and, if necessary, make it possible to give more weight to certain aspects, as required by the moment or the business activity. Likewise, it should be aimed at achieving excellence and creating value. Setting specific objectives is a good way to seek excellence.



III. 2. CRITERIA BY STAKEHOLDER.

2.1. General considerations.

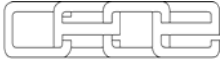
This section includes a set of social responsibility management-related actions that different companies have been carrying out, which may serve as a reference for those who decide to undertake new initiatives in this field and assess the degree of development attained in relation to the different areas of social responsibility.

The actions reflected are based on some universally recognized principles, and specific content related to the different stakeholders is included. Specifically, these actions have been divided up according to the following categories: customers and consumers, employees, suppliers, environmental actions, public authorities and society, investors and shareholders.

Before the different types of content are detailed, the following **clarifications** must be pointed out:

- A) The specific content is listed as an example or reference, based on existing corporate practices. **It is not exhaustive, nor are the items necessarily listed** in order of importance. The essential point is that an objective related to each of the stakeholders is specified. **Specific actions** based on that objective are also included, **which the company selects** according to its own context.
- B) The content of the actions in relation to the different stakeholders is consistent with the **gradual or progressive nature** of these criteria. Their practical implementation should follow a plan for **continuous improvement**; therefore, the items mentioned should be seen as **lines of action whose aim is to gradually achieve an objective, not as exhaustive requirements** needed to determine whether a company is socially responsible or has taken on a solid commitment in this field.

It is perfectly acceptable for both the starting point and the proposed objective for each of the stakeholders to be different, depending on the industry, size and needs of the companies. The expectations of a certain stakeholder may even be met only at the most basic level. The important thing is that the additional commitment that is voluntarily taken on be carried out with rigour and ideally with the greatest possible transparency. The fact that it is less developed in relation to a certain stakeholder does not call into question the fulfilment of the basic obligations the company has to society and its main contribution in the form of wealth and employment.



- C) The performance of these actions by **SMEs merits special attention**. Specifically, there are actions that are difficult for small and medium-sized enterprises to manage, as the latter usually need to concentrate more on their own viability and development, and cannot allocate additional resources to carrying out such actions in an extensive manner. Therefore, it is essential to find the added value of these contributions, both in the short and medium to long term, as well as simple, clear instruments that facilitate the management of these actions.
- D) As indicated earlier, some of these practices are already reflected in the **regulations in force** in some States. The added value represented by including them in this document is, on the one hand, that they can be regarded as a principle that inspires and permeates company policy and that may lead to **excellence in complying** with the regulation; and on the other hand, that they can be made extensive to regional areas of the company or the group that do not have such detailed regulation.

2.2. Basic principles.

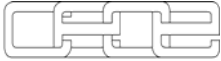
There are universal rights and principles that are taken into consideration prior to any social responsibility action.

The progressive nature of these criteria for action means that a company can decide to undertake social responsibility practices in relation to different stakeholders, choosing the sphere in which it believes it has more possibilities for development.

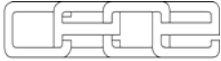
However, to ensure that all of their actions are as coherent and credible as possible, some companies demonstrate a prior commitment to the respect of universally shared objectives linked to **basic rights and principles**. This commitment would affect their relationship with **all of their stakeholders**. The credibility of the practices that are undertaken in relation to specific stakeholders can thus be reinforced.

Below are four especially significant principles generally held to be fundamental, which have primarily been taken from the basic rights included in the 1948 Universal Declaration of Human Rights and from the ILO's Worst Forms of Child Labour Convention (C 182):

- Respect for **human dignity** (which means not doing anything that directly contributes to subjecting other people to torture or cruel, inhuman or degrading treatment).



- The suppression of **child exploitation** (which means not doing anything that contributes directly to the worst forms of child labour, including slavery or similar practices, prostitution, pornography, the production and trafficking of drugs or work that is likely to harm the health and safety of children).
- The suppression of **forced labour** (which means not doing anything that contributes directly to subjecting other people to situations of slavery or servitude).
- **Non-discrimination** (which means not doing anything that involves manifest discrimination because of race, gender, language, religion, political opinion or national or social origin, unless there are objective reasons that justify the need for different treatment).



2.3. Content by stakeholder

USERS, CONSUMERS AND CUSTOMERS

Paying appropriate attention to customer, consumer and user expectations is not only an immediate requirement for efficient and viable business management, but also demonstrates an ethical commitment to one of the main stakeholders. There are certain elements founded on good faith and loyalty between the vendor/supplier and user that may even go beyond the legally binding contract between the company and its customers and that indicate a special sensitivity to the expectations of the intended recipients of the product or service.

Of the many different ways through which the company can promote efficient management of the relationship with customers and users, the following four criteria have been taken into consideration. These deal with the process of providing the service, the expectations or needs of the intended recipient or user, the appropriateness of the advertising used, and finally, the possible channels for communication with consumer representatives.

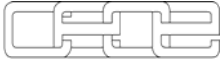
Criteria.

A) Provision of the service.

- **Accuracy of the information / advertising.**

The first action in this area involves promoting guidelines for conduct aimed at ensuring that the consumer has sufficient, appropriate and accurate information, thus facilitating an awareness of mutual obligations and benefits.

This information can be gradually developed from the time the product is first promoted and in the final stage can involve a commitment expressed in a code of conduct that governs the company's actions in this area.



- **Observance of contractual terms.**

The aim here is to view the relationship with the customer in its broadest sense, not only with regard to the fulfilment of the obligations assumed, but in all related aspects.

This is reflected in actions that ensure that the terms offered are met, and at a more advanced level, that transparency is fostered by providing information on unwritten or supplementary items, or even offering contract formats adapted to the customer's needs, over and above standard or boilerplate contracts.

- **Meeting of reasonable expectations.**

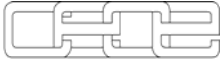
In every service relationship, depending on social circumstances and prior expectations, there are unwritten obligations or benefits to which the consumer is entitled because of the characteristics of the brand or shop.

The meeting of expectations may involve anything from observing the concept of "reasonable expectations" included in EU regulations to a commitment to not creating or prompting expectations that are higher or other than what is really offered. A more advanced level might involve establishing voluntary systems to resolve incidents resulting from consumer expectations.

- **Warranty for the normal period of use and later follow-up.**

In the provision of services and distribution of products, consumers expect that the item will last for a reasonable amount of time, and depending on the product, that technical service will be available to ensure its effectiveness and usefulness.

This involves complying with the terms of the product or service warranty (offering appropriate compensation or repair), or even establishing supplementary services aimed at seeking a satisfactory solution to any incidents.



B) Customer care for the intended recipient of the product or service.

- **Adaptability or flexibility of the offering.**

The diversity of consumer tastes, capabilities and expectations should lead the company providing the products or services to adapt to the former's needs, both in the range offered and in the forms of supply, payment, delivery, etc.

To this end, contract and payment types that adapt to different consumer situations can be offered, or even a modification in the contractual or service terms because of a change in the consumer's circumstances.

- **Customer care for groups with special needs.**

Our society is made up of groups with a wide variety of abilities, whether because of age, physical and mental capabilities, origin, etc.

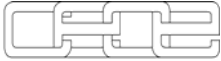
This item encompasses everything from supplying basic product and service information geared to these groups to creating special systems or premises that facilitate their access, or customer service specifically designed for them.

C) Advertising, levels of acceptance, incidents and degree of resolution.

- **Advertising and promotion.**

The wide range of systems for promoting products and services in the information society means that controls must sometimes be established to regulate truth in advertising and ensure that such messages are not misleading, and to protect vulnerable groups.

This involves fostering the use of appropriate, sufficient information, depending on the medium used, establishing internal controls to detect messages that give an incorrect or exaggerated idea of the product or service, or even submitting the advertising and promotional materials for external, independent review.



- **Resolution of incidents.**

All consumer-related activities must be open to the resolution of incidents relating to compliance with the contractual terms of the products or services.

This entails dealing with complaints or incidents (public complaint mechanisms or forms), the involvement of the company in resolving incidents, following up on the steps taken and assessing their results, or even using outside resolution and control systems.

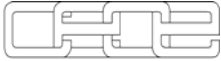
D) Provision of communication channels to interested parties or stakeholders.

Independently of the relationship with the customers of the company providing the services, there should be a smooth relationship with public and private organizations involved in representing interests and directing these activities.

This means that there should be adequate communications and relations as well as participation in consumer information campaigns sponsored by public and private agencies. Channels for information, suggestions and discussions on procedures may also be established, among other mechanisms or systems.

E) Quality management criteria in the product manufacturing or service provision processes.

For some time now, a great many companies have been incorporating quality management criteria in the manufacture of their products or in the provision of their services. The aim of these criteria is to ensure an optimum result so that these products or services provide an added value to the consumer or user for whom they are intended. In this respect, any such practices that are not mandatory for the company under applicable regulations can be considered to be additional contributions benefiting this stakeholder.



EMPLOYEES

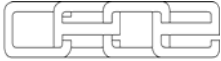
Related actions to meet the expectations of employees are also part of the essence of efficient management, as the latter comprise a group that is, by its very nature, involved in the company's internal operation, and the transmission of many of the values that upper management may seek to introduce depends on them. These actions may be related to their working conditions, but also to making them aware of certain ethical principles that the company plans to incorporate into its daily activities.

It is important to emphasize the fact that many of the additional contributions of companies in this area have been channelled through a pact or agreement with the workers' representatives (in the form of a collective bargaining agreement or enterprise agreement, among others). The legally binding nature of these agreements does not lessen the value of the effort made by the company to improve its relationship with the employees, and they therefore enter into the sphere of social responsibility.

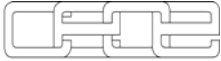
Below is an illustrative and non-comprehensive list of guidelines for action relating to this stakeholder that a variety of companies have been incorporating into their social responsibility programmes.

Criteria.

- A) **Respect for the workers' dignity.** Some companies undertake actions of different types in order to prevent and, if applicable, punish flagrant violations of this dignity, such as violence, sexual harassment, intimidation or mobbing in the workplace.
- B) Observance of the **principle of non-discrimination against workers because of gender, belonging to religious groups or ethnic minorities, origin, marital status** or circumstances that are not related to objective professional performance requirements. In practice, it would take the form of actions (including information and awareness campaigns) that some companies have been carrying out to prevent the use of criteria that may be obviously discriminatory in relation to these groups.

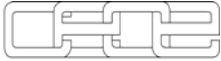


- C) Full observance of **commitments to workers, taken on either collectively or individually**, relating to working conditions. Many companies make it a priority to try to establish human resources management policies that prevent inefficiency or regular non-compliance with these terms, primarily in the area of compensation and working hours. However, for these practices to be assumable, it is important that the agreed-upon terms be gradually linked to such factors as productivity or the company's objectives and values.
- D) This item also includes **respect for the activities of the workers' legal representatives** in the company, as long as these activities are within legally established limits. Likewise, many companies establish efficient mechanisms for information and consultation as part of their principles of action, to ensure that the workers and their representatives are informed of issues relating to the company's financial situation and to any decisions that may affect employment at the company (restructuring, mergers, etc.).
- E) **Incorporation of workplace health and safety actions into the company's management.** While preventive regulations are extremely extensive, they often apply equally to all companies, regardless of their size and industry. In many cases, this makes compliance very difficult. Therefore, compliance with the regulations in force in the different geographic areas in which the company operates and the incorporation and gradual development of a culture of risk prevention within the company represent an important additional contribution that can improve the efficiency of management systems in the area of occupational health and safety.
- F) **Internal communication** with employees. Different companies develop internal communication mechanisms within the company that make it possible to improve relations with employees and assess their degree of satisfaction.
- G) **Contribution to the workers' employability.** More and more companies are making an effort to improve their productivity through training mechanisms that are accessible to an increasing number of workers, and also through specific professional development projects, if applicable.
- H) **Contribution to helping specific groups** with greater difficulties in joining the labour market: several companies have established internal policies for the gradual inclusion of certain groups through actions relating to hiring, promotion, etc., always taking into



consideration the possibilities and limitations of the labour market's supply and demand.

- l) **Contribution to the workers' work-life balance, through different measures.** More and more companies are advocating individual or collective agreements with their workers to allow for a more flexible distribution of working hours (e.g., through the expression of working time as an annual figure). This flexibility makes it possible to better meet the demands of the company's business activity by relating it to different production periods at the same time as it aids work-life balance. To this end, it is often necessary to overcome rigid contractual models established through legislation or by convention. Beyond working hours, many companies make concessions of different types to facilitate work-life balance for those workers who care for dependent persons.



SUPPLIERS

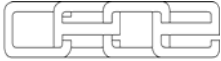
A company's relationship with its suppliers should first and foremost be one of trust and mutual benefit. A bond between the two could result in a reduction of the complexity and costs of companies and an increase in the quality of the supplies.

The actions of companies that promote efficient management in this area should be based on free competition, transparency, objective selection, quality and joint cooperation in developing action plans that lead to improved products and services.

However, it is important to consider the fact that the ability to influence that may exist between a company that uses a product or service and the company that supplies it is not always one-way. On more than a few occasions, the suppliers are the ones who exercise significant influence on the companies that enter into contracts for their services. In this regard, all of the actions listed below can work in both directions, i.e., from the user company towards the supplying company and vice-versa, depending on the specifics of the industry in a certain geographic area.

Criteria.

- A) **Communication/Information** about the social responsibility values and policies promoted by the company and about how important it is for suppliers or vendors to bear them in mind as well.
- B) **Objective criteria** in the **selection of suppliers**, involving free access to the company's call for tenders. Transparency in the decision-making process for tenders or contract awards.
- C) **Promotion and fostering of social responsibility throughout the supply chain**: Joint projects to promote social responsibility. Assistance and advisory programmes that indicate how to implement specific measures (the integration of disabled persons or disadvantaged groups, non-polluting actions, customer service, etc.). Cooperation with the public authorities in these incentive policies aimed at suppliers.



- D) **Contribution to the development of local economies** by purchasing from suppliers in the same geographic region in which the company is located.

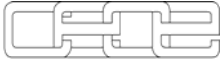
In the supplier selection process, some companies use criteria that go beyond the efficiency/quality/price of the service to be performed or the product to be supplied.

These criteria are based on requirements or preferences that suppliers participating in the selection processes provide proof of compliance with current regulations (environmental legislation, occupational risk prevention, quality standards) or of contributions or commitments they have made in the area of social responsibility (a contribution to eradicating child labour, non-discriminatory practices, etc.).

On occasion, because of the legal consequences resulting from the principle of law known as joint and several liability, these requirements are primarily imposed to prevent greater risks for the main company.

However, on other occasions, **this requirement or preference in awarding the contract** is a mechanism to ensure that the company's own social responsibility practices are present in the supply chain. **This latter practice may be risky**, because it may exclude many companies from the supplier selection process that are in full compliance with the regulations in force but are unable to take on additional commitments, or those who have done so but are unable to provide proof of this.

These policies or actions aimed at suppliers may also be **implemented by stages with a supplier or vendor**, so that first communication and information activities take place, which gradually lead towards assistance, finalizing with a stage in which compliance with certain criteria is promoted (elimination of child labour, respect for workers' rights, human rights, etc.).



ENVIRONMENTAL GUIDELINES

The environment is a determining factor in all human activities, and its protection may also be a factor in the competitiveness of companies. Therefore, social responsibility actions should tend to promote efficiency and research in this field, gradually reducing the environmental impact of the company's activities, installations, products and services, and taking into account any available technologies that are economically feasible, so that future generations can enjoy a healthy environment.

The guidelines for action in this area have been grouped according to eleven principles that involve a progressively greater commitment to respecting the environment.

Criteria.

A) Company's installations.

Design, maintain and constantly improve its installations so that they do not affect the environment.

B) Conservation of nature.

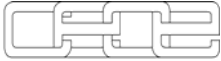
If the company's activities have an impact on ecosystems, species or biodiversity, make a commitment that contributes to the conservation of nature in all of its facets.

C) Renewable energy and waste.

Promote the use of renewable energy and adapt processes to reduce emissions, spills, waste and noise by using the best possible environmental alternatives, always bearing in mind their technical and economic feasibility.

D) "Ecoefficiency".

Establish efficiency in the company's different spheres of activity as a key objective, promoting actions leading to the optimum management of energy consumption, raw materials and natural resources ("ecoefficiency").



E) Environmental policy.

Gradually implement an environmental policy that progressively incorporates actions that are transparent to the different stakeholders, in accordance with the impact of the company's activity on the environment.

F) Commitment from Management: environmental strategy.

Include the environmental dimension and respect for the natural surroundings in the company's business strategy. This involves obtaining the support and commitment of the company's management, so that consideration and respect for the environment can be incorporated into the company's different actions and decision-making processes (investment, planning and implementation of activities, etc.).

G) Pollution: an effort for continuous improvement and assessment.

Prevent pollution, promoting continuous improvement and the protection of the environment by updating and reviewing management systems, meeting environmental objectives and assessing environmental issues and risks.

H) Environmental management system.

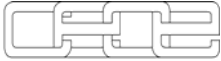
Establish and maintain an environmental management system, including an ongoing effort to identify, assess and reduce any negative environmental effects of the company's activities, installations, products and services.

I) Promote environmental awareness.

Implement a progressive and ongoing environmental information, training and awareness programme for employees, as well as for the company's main stakeholders, and to the extent possible, any contractors and suppliers whose activities may significantly affect the environment.

J) Research and development.

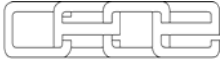
Promote research and development in the area of new technologies, products and services that favour environmental improvement and innovation, contributing to meeting the main environmental



challenges and making a more efficient use of energy and natural resources possible.

K) Dialogue with stakeholders.

Promote channels for dialogue on the company's environmental policy with the appropriate representatives of the stakeholders in the place where the business activity is located, fostering information mechanisms and a constructive involvement in said policy, bearing in mind the environmental needs of the area.



PUBLIC AUTHORITIES AND SOCIETY

Independently of the improvements in welfare and wealth generated by their business activities, companies can cooperate directly in achieving objectives of general interest or contribute decisively to ensuring the efficient operation of the government. This contribution is important in weak or malfunctioning institutional environments, especially in developing countries.

However, the first step in this cooperation is related to the company's attitude in complying with current regulations, which is key to directly contributing to the performance of the public authorities.

Criteria.

A) Cooperation and excellence in complying with regulations.

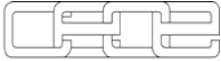
Strictly speaking, the first real “collaboration” with the public authorities is full cooperation and the greatest possible transparency in dealing with the departments and agencies responsible for enforcing compliance with regulations in force. It also involves the company's willingness to show that its business activities are in line with these regulations.

B) Cooperation in ensuring that **third parties comply with regulations.**

- Cooperate in ensuring that suppliers effectively comply with regulations in force (see “SUPPLIERS” section).
- Cooperate in ensuring that citizens effectively comply with regulations in force in different spheres (environmental, social, fiscal, etc.).

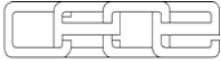
C) Cooperate in governance and in the actions of the **Administration and public authorities.**

- Promote guidelines for action or practices aimed at preventing corruption among civil servants, politicians, legislators or leaders.
- Cooperate in improvement objectives of general interest in the social, economic, environmental and cultural spheres.



This area would include what is known as corporate **social action**, i.e., activities that are not part of the essential business line but that contribute to the achievement of general objectives that benefit society in different fields. It is true that social action, which is related to **philanthropic initiatives**, is not completely equivalent to the concept of social responsibility; however, it does form part of it, as it indicates that there is a clear commitment to improving and developing certain social aims. We can highlight the following ones:

- Different types of aid to promote the social integration of groups with difficulties.
- Environmental information and awareness actions that contribute to the community's environmental education.
- Cultural dissemination and patronage through the support and financing of cultural or sports activities.
- Promotion of the educational system through the offering of company assistance in training different groups from outside of the company itself.
- A variety of actions aimed at fighting poverty.
- Active cooperation in the development of infrastructures in the company's geographic area.
- Actions aimed at improving work-life balance (day nurseries, day centres for the elderly, etc.)
- Cooperation with governments in maintaining public spaces.



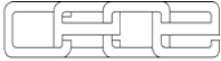
GOVERNANCE AND INVESTMENTS

In large organizations set up as public limited companies, shareholders are obviously concerned about the profitability of their investments. However, they also demand transparency and reliability in the financial and corporate information issued by the company, and expect the management team to be honest and to fulfil its functions, to bring in new investors and thus ensure the company's survival. Therefore, transparency is an important component in the debate on corporate social responsibility, as it can contribute to improving the practices and conduct of the companies, at the same time as it enables them (and, if applicable, third parties) to assess the results obtained.

For this reason, many companies incorporate a series of principles and measures aimed at meeting the expectations of their shareholders and investors. The following are worthy of note:

- The **principle of transparency**, which would encompass actions whose aim is to ensure that all of the relevant information for investors, and all information relating to the structure of the company's ownership, is communicated to the market in a timely manner.
- The **principle of loyalty**, which would include actions designed to ensure the confidentiality of information and the duty of care, as well as to prevent conflicts of interest.
- Measures to ensure the **efficient operation** of the company's different bodies, including facilitating the participation of shareholders.
- Actions that involve self-regulation in the form of a **code of conduct** or **internal regulations**.

Nevertheless, all of these items must be specifically developed in accordance with the particular characteristics of the industry and the geographic area in which the company operates.



IV. FINAL CONSIDERATIONS.

This document, **created through the work and contributions of different companies and organizations** that make up the CEO's Social Responsibility Committee, represents a **work of reference based on broad consensus**.

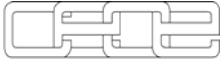
These contributions made it possible to approach the work from a **gradual, practical and realistic standpoint, reflecting** the trends of countries in our milieu, without adversely affecting the competitiveness of the productive fabric.

The **public authorities** need to understand that, in order to achieve efficient results in this sphere, they can and must rely on the cooperation of the main agents of social responsibility: companies and the organizations that defend their interests. They **must avoid unilateral approaches and try to ensure that the presence and participation of businesses is consistent with this primary role** through their most representative organizations.

To make positive strides in this area, all parties involved **should avoid** fruitless controversies and move beyond any proposals that represent mere requirements and controls. This also means respecting the truly corporate nature of these practices, finding points of convergence with different stakeholders. In short, the challenge of extending rather than restricting these practices is closely related to the ability to **link their development to an improvement in the efficiency and competitiveness of business activities**.

In this regard, these criteria are an **excellent basis for future cooperation** with other public and private organizations, in accordance with the following guidelines for development, to name a few:

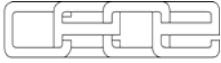
1. The maintenance and expansion of the already extensive business network comprising the **CEO's Social Responsibility Committee**, which, because of its makeup, is the only channel of its kind for future business initiatives of different types and for interchanging social responsibility practices and experiences.
2. The dissemination of these criteria through the following activities:
 - Distribution to all companies and regional and industry organizations affiliated with the CEO.



- Distribution to the appropriate public authorities, especially any at the national or regional level that are carrying out initiatives in this sphere.
- Distribution to different organizations and political groups involved in debates and initiatives relating to corporate social responsibility.
- Distribution to European and international employers' organizations, as well as to other organizations in these spheres.
- Organization of specific conferences or forums to present these proposals, in cooperation with the companies and employers' organizations that have contributed to them, as well as with other organizations and public bodies.
- Creation of a specific website for the purpose of explaining and publicizing these criteria, including links to the different companies and employers' organizations involved.

3. Development following **dissemination**:

- Follow-up on the criteria in light of the development of European and international initiatives, specifically:
 - The European Alliance for Corporate Social Responsibility
 - Activities at the International Organisation of Employers (IOE), the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD).
 - Activities carried out relating to the International Organization for Standardization (ISO).
- Follow-up on the development of these proposals in light of the initiatives of different public bodies in Spain, primarily the initiatives of the Ministry of Labour and those arising from the results of the Parliamentary Subcommittee on this issue.
- Presentation of these proposals to the Steering Committee specifically dealing with this subject, within the framework of social dialogue.
- Follow-up on the development of these criteria through forums and general and specific conferences regarding corporate actions



or practices relating to specific stakeholders. The content of these criteria in relation to the different stakeholders would serve as the basis for the presentation of practices and for debate on future directions.

- Other activities resulting from future developments in social responsibility.
