



# Corporate Social Responsibility (CSR)

# Index

- What is Corporate Social Responsibility?
- Levels of CSR
- Different areas involved
- Different labour issues
- Arguments For CSR
- Arguments Against CSR
- CSR in Europe
- CSR in Spain
- Future Business Responsibilities



# What is Corporate Social Responsibility?

- The company must act responsibly, and criteria for social responsibility must be adopted to contribute toward consolidating better companies not only in social terms – that is, companies which are more useful to society – but better companies in purely economic terms – that is, better quality, more efficient, more competitive companies
- An inevitably broad concept of which we can say that it includes voluntary actions by companies aimed at dealing with workers', consumers', or investors or shareholders' concerns: in short, the concerns of all citizens.
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# What is Corporate Social Responsibility?

Some attempts to define it:

Responsible companies perceive the current environment – globalization, social demands, transparency, broadening of markets, environmental challenges, etc. – as an opportunity to underscore their role in society, their potential for leadership in sustainable development.



# What is Corporate Social Responsibility?

## CONCLUSION:

- The impact of a company's action on society
- Requires a manager to consider his acts in terms of a whole social system and holds him responsible for the effects of his acts at all levels in that system
- Business has an obligation to society which extends beyond economic and legal duties
- Described as one of the most important social movements of our time



# What is Corporate Social Responsibility?

Conclusion: Lack of consensus

- The definition is subject to the economic, cultural and legal contexts
- The meanings differ depending on the players
- CSR: globalization, sustainability and governance



# Levels of CSR

- *Social Obligation* – Meet minimum regulations, do what is required by law, no more
- *Social Responsibility* – Go beyond what is required by law, mitigate negative effects
- *Social Responsiveness* – Proactive approach, promote positive change



# Levels of CSR: *Example in Labour Markets*

**Social  
Obligation**



**Comply with  
wage and  
working time  
laws, minimum  
benefits**

**Social  
Responsibility**



**Provide added  
labour benefits**

**Social  
Responsive**



**Improve quality  
of work life**



# CSR Different areas involved

- It directly influences the management of people in the company
- Good practices in the labour field will allow companies to hire and retain talent and to guarantee the excellence of the services provided on the products manufactured



# CSI Different areas involved

- Corporate governance and transparency
- Human rights
- Labour
- Social environment (community links, social action and cooperation for development)
- Environmental impact



# Different Labour Issues

- Subcontracting
- Collective negotiation
- Conciliation of labor and family life
- Continuous training and recycling
- Safety and health
- Participation in benefits/capital Labor integration
- Managing diversity



# Different Labour Issues

## Subcontracting

- Companies' results can be affected by the practices of partners and suppliers
- The measures of social responsibility in companies will affect its economic partners
- When subcontracting, the company will bear extra social responsibility (sometimes the economic welfare of a supplier will depend totally on a company)



# Different labor issues

## Collective negotiation

- The CSR cannot substitute the collective negotiation (unions)
- The collective negotiation has nothing to do with the CSR (Employer's associations) the collective agreement is binding
- The collective negotiation can be a promotional frame for this type of policies which are not in conflict with free will



# Different labour issues

## Conciliation of labour and family life

- The company shall have primary responsibility to allow its employees to have life after work:
  - Active conciliation policies
  - Social action
  - Flexible working hours



# Different labour issues

## Continuous training and recycling

- Employees must have access to continuous training as an element of the human resources policy
- Policies on training must include follow-up and control
- Need for public sector to give due consideration to the companies' efforts in this field



# Different labour issues

## Health and Safety

- Health and Safety issues must be promoted through supplementary methods, with a joint action involving governments, companies and professional organizations.



# Different labour issues

## Participation in benefits/capital

An alternative to conflict

- Participation means co-responsibility in the operation of the company (tensions are possible but do not need to lead to conflict).



# Different labour issues

## Labour integration

- Reference to unfavoured groups
- Creation of social insertion companies
- Need for criteria and definitions for each industrial, production or services sector.
- Employee collaboration (voluntary)



# Different labour issues

## Managing diversity

- In the last point we discussed hiring, here we will discuss the management.
- It is an extension of a company's policies on social integration and partnership
- Requires elimination of all forms of discrimination
- Requires express acknowledgement of diversity

The adoption of socially responsible practices and implementation positive actions to incorporate these values provide a dynamic value and competitively to the company



# Arguments *For* CSR

- The rise of large corporations has created social problems and they should be responsible for solving these problems: Allows business to be part of the solution
- Protects business self-interest
- Prevents unethical conduct which can have serious reputation and financial costs
- Addresses issues by being proactive and using business resources and expertise
- Public strongly supports it



# Arguments *Against* CSR

- Social issues are not the concern of businesses
- Managers do not have the expertise to make social decisions – they are oriented towards finance and operation
- Business already has enough power – if given decision making power in the social domain, businesses will be given too much power
- The ability to compete in a global market place could be limited



# CSR in Europe

- Green Paper Promoting a European framework for Corporate Social Responsibility (July 2001)
  - ✓ Seeks to launch a broad debate on how the EU could promote the social responsibility of companies at European and international levels.
  - ✓ In particular, how to make best use of existing experience, encourage innovation, improve transparency and improve the reliability of the evaluation and validation of the various initiatives carried out in Europe.
- Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development (July 2002)
  - ✓ Addressed to the European institutions, Member States, Social Partners as well as business and other concerned parties
  - ✓ European strategy to promote CSR
  - ✓ Invitation to enterprises and their stakeholders as well as Social Partners in candidate countries to join this initiative



# CSR in Spain: Promoting CSR

## • *Awareness raising*

- ✓ Technical Advisors Committee of Experts on CSR (launched in 2003)
- ✓ Expert Forum on Corporate Social Responsibility (set up on March 17, 2005).

## • *Business Incentives*

- ✓ The Ministry of Labour and Social Affairs has created a variety of awards for CSR-related issues (the Award for Corporate Responsiveness to the Family; the Infant Cristina Award for Corporate Social Action which encourages social integration projects).
- ✓ The Ministries of Economy and Science and Technology have created the “Prince Phillip Award for Corporate Excellence” to acknowledge companies that stand out for their dedication to quality and their competitiveness.

## • *Management tools*

- ✓ For example, the “Optima Program” which promotes gender equal opportunities as a good management strategy for companies. Companies develop an Action Plan which has to be evaluated.



# CSR in Spain: Ensuring Transparency

- *Corporate Governance:*

- ✓ Act 26/2003 (known as “Transparency Act”)
- ✓ "Unified Good Governance Code" (May 19 2006) is a set of best practice recommendations.
- ✓ Objectives: Increase the responsibility of administrators, increase the level of protection granted to small investors and create new requirements for companies in terms of transparency.

- *Socially Responsible Investment (SRI):*

- ✓ Recent regulation on Institutional Investors and Pension Funds: New requirement for the pension funds managers and institutional investors to disclose whether they are using ethical, social or environmental criteria for their investment decisions.
- ✓ Document adopted by CNMV: Requirements that investment funds have to follow if they want to be referred as 'ethic' , 'social' or 'green' funds (to increase transparency of information).

- *Advertising:*

- ✓ In the audiovisual field, radio and television operators have created the Association for the Control of Advertising, with the objectives to establish self-regulation on the limits, beyond the legal ones, of responsible advertising.



# CSR in Spain: Risk Management

- CSR provides a means by which companies better understand and manage risk: Guidelines and initiatives to encourage business to manage risks across their business.
- Some recommendations in this respect are contained in the “Unified Good Governance Code”:
  - ✓ Listed companies should have an internal audit function, which is supervised by an audit committee
  - ✓ The head of internal audit should present an annual work programme to the audit committee
  - ✓ Control and risk management policy should specify at least
    - the different types of risk which (eg. financial, legal, reputational) the company is exposed
    - the measures in place to mitigate the impact of risk events should they occur



# CSR in Spain: Developing CSR – supportive policies

- Fiscal policies: Law 4/2002 on the fiscal regulation of non-profit entities and tax incentives for charity provides tax benefits to non-profit entities and to the private-sector contribution towards public interest goals and activities.
- Labour policies: Report of the Parliament of 26 June 2006 on promotion of CSR issues by companies residing in Spain



# Thinking about Future Business Responsibilities

- Demonstrate a commitment to society's values and contribute to society's social, environmental and economic goals through action
- Protect society from the negative impacts of company operations, products and services
- Share benefits of company activities with key stakeholders
- Demonstrate that the company can make more profit by doing the right thing.

