Qualitative analysis of Socially Responsible Investment Funds in Spain

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1 Ethical finances and Socially Responsible Investment

Ethical finances were born as an instrument for social transformation. Investment on project finance is not an end on itself, it is a mean to reach broader positive impacts, be it on social, cultural and/or environmental dimensions. Economic return on investment is just important to ensure the survival of financial institutions. Different types of financial institutions such as ethical banks, credit cooperatives or foundations are responsible for collecting savings and giving loans. To channel savings towards loans and investments these institutions may choose among different saving and investment instruments (e.g. deposits, current accounts, investment funds…) or financing instruments (microcredit, loans, shares…).

Considering the types of instruments used in the ethical finances sector there is no substantial difference on products benefits as compared to those of conventional finances. Actually, it is important to highlight that ethical finances were not born against conventional finances or pretend to label them as “non ethical” by labelling themselves as “ethical”. Ethical finances are a proposal of alternative banking guided by much broader financing criteria, far exceeding pure economic or financial criteria.

On their side, conventional banks have begun offering investment products that pursue the integration of environmental, social and corporate governance criteria on their investment policies. These have been named Socially Responsible Investment Funds (or SRI funds). In some cases, on top of integrating the above mentioned criteria, SRI funds dedicate part of its return on investment to finance NGOs, charities and the like. However, not all Solidarity investment funds need to be ISR.

On that sense, ethical finances and socially responsible investments are, conceptually, very close to each other. Nevertheless, the actual implementation of SRI in Spain (as well as in other countries) raises doubts about this conceptual proximity being realized.

Over the last years, there have been numerous initiatives to promote both the adoption of SRI practices by investment agents and Corporate Social Responsibility (CSR) practises by businesses.[1] However, SRI practices are voluntary[1] and, very often, their definition is too generic or ambiguous. Moreover, regulation of the field is scarce.

Besides, a large variety of approaches and methodologies for evaluating and selecting assets[2] coexists with a very limited transparency about the criteria these methodologies do use. Thus, it is not surprising that the methodologies applied by investment agents and NGOs deliver conflicting results or that are not consistent with the lists of most sustainable, admired or responsible firms as published by different business magazines.[3] Even more surprising, studies executed on the United States and the United Kingdom revealed that investments made by SRI funds do not differ much from those made by conventional investment funds. [4, 5]

The SRI Observatory elaborated by ESADE analyses the evolution and the financial performance of SRI funds without analysing the actual assets these funds invest in. This publication intends to shed some light on the companies receiving investment from SRI funds commercialised in Spain and to foster the debate about the implementation of socially responsible investment policies.

2 Objectives and scope

The main objective of this study is to analyse, from a qualitative and non financial point of view, the main organisations (or assets) receiving investment from socially responsible investment funds.

The analysis covers the social, economic, environmental and corporate governance dimensions. Specifically, the objective is to scrutinise and analyse significant inconsistencies or discrepancies between companies' assessments made by the companies themselves and those made by NGOs or agencies providing social and environmental ratings.

Once these assets have been identified and analysed, the objective is to analyse the legal environment where SRI funds operate, the implications or opportunities that are derived for the social economy and whether or not these opportunities are being exploited.

The scope of the study is limited to mutual funds, labelled as SRI[i] and commercialised in Spain in 2008. This includes both funds managed by Spanish and foreign asset management firms. Pension funds are not included in the analysis.

With regard to the organisations receiving investments, the study is limited to companies listed on European stock markets or having their headquarters in Europe. Therefore, public debt (emitted by governments) or companies not listed on the stock market (e.g. financed through seed or venture capital, hedge funds or other financial instruments) or with headquarters outside Europe fall outside the scope of this study.

There are two topics that, despite being interrelated and having a strong relationship with SRI funds, have not been (fully) covered in this study: public debt and assets' valorisation methodologies.

- Different approaches and methodologies applied to organisations' assessment. A running research project from SustainAbility has already identified more than 100 methodologies.[6] What are these methodologies assessing? On which sources of information are they based upon?

- A (very) substantial percentage of SRI funds are invested on public (or sovereign) debt not without these being specifically assessed: Can sovereign debt be considered as socially responsible *per se*? What is a socially responsible government and how does it behave?

[i] According to the annual SRI Observatory elaborated by the ESADE Institute of Social Innovation.

3 Legal environment of the SRI funds in Spain

Socially Responsible Investment funds and conventional funds share a common legal environment regulating their responsibilities, their functioning, their relations with other organisations and the types of investments they can make, both in terms of asset classes and amounts to be invested[ii].

Legal framework, rules and codes of conduct
The legal Framework was established by the Law 35/2003 of Collective Financial Institutions that incorporated the latest pieces of European regulation transposing the European Directives 2001/107/CE and 2001/108/CE from January the 21st 2002[iii]. A substantial part of the regulation of collective investments is developed in the so-called Rules for Collective Investment Schemes approved by the Law 1309/2005 (and modified several times later on[iv]).

On the other hand, with the aim to unify the criteria for registering socially responsible or ethical investment funds, AENOR created an experimental norm (Norma UNE 165001:2002 EX) "to provide general guidelines to direct those institutions willing to create of trade them and to guarantee the maximum transparency and visibility of these criteria to their users".[7]

Finally, on March 2006 the *Comisión Nacional del Mercado de Valores*[v] approved the Unified Good Governance Code that, since 2007, obliges listed Spanish firms "to specify their degree of compliance with corporate governance recommendations, justifying any failure to comply" in their Annual Corporate Governance Reports.[8] This increased the transparency and the information at the disposal of individual and institutional shareholders that had invested in these companies.

On 2007 the Spanish government failed to pass the bill *Ley Reguladora del Fondo de Reserva de la Seguridad Social* that intended to regulate the percentage of the Social Security's reserve funds that could be invested on funds. Among others, these funds would had had to follow "social, environmental and economic responsibility criteria".[9] The bill did not pass the Parliament but a new debate is expected in the framework of the reform of the Spanish pension system foreseen in 2011.

Investment Funds and Societies and relationships with other entities
Collective Investment Schemes are those that pool money, goods or rights from many investors to manage and invest them on goods, rights, securities and/or other instruments, financial or not, provided that the return on investment for every single investor is based on the collective result.

Collective Financial Schemes are those investing on securities (e.g. stocks, bonds, short-term money market instruments, other mutual funds, and/or commodities) and can only adopt the legal status of Investment Fund ("F.I.") or Investment Society or Trust ("SICAV"). Financial Investment funds have a minimum capital requirement of € 3 million and a minimum of 100 participants.

Investment funds are separated capital shares without legal personality, belonging to a number of investors, including other CFS, which management and representation corresponds to a

[ii] The legal information included in this chapter is not exhaustive. For comprehensive information refer to official regulators. The Association of Collective Investment Institutions and Pension Funds (www.inverco.es) is also useful.
[iii] Modifying the Directive 85/611/CEE from the European Council.
[iv] By means of several Reales Decretos RD 362/2007, RD 215/2008, RD 217/2008 y RD 749/2010.
[v] Equivalent to the U.S. Securities and Exchange Commission (SEC) in the United States

management firm, with the participation of a depositary. Investment trusts are those that adopt the legal status of Public Limited Company (PLC[vi]).

Management firms of Collective Investment Schemes (CIS) are responsible for the management of the CIS including, but not limited to, the management of its assets (e.g. selecting the assets that are part of the fund's portfolio), the administration of the CIS and the commercialisation of its shares. These management firms ought to inform the funds or trusts' shareholders about their policies for exercising the political rights associated to the assets integrating the fund's portfolio and, in certain cases, these policies may be accompanied by the obligation to effectively exercise those Rights.

The management firm, for every single investment fund under its administration, and every investment trust will publish a detailed and simplified brochure, an annual report, 6-monthly and quarterly reports for its dissemination to its shareholders, participants and the public in general.

The depositary is the organisation responsible for the custody of the assets of the CIS and for the supervision of the management of the management firms. Management firms and the depositaries may respectively receive management and deposit commissions from investment funds. Moreover, management firms may receive subscription and reimbursement commissions from their participants. Every institution will have a single depositary. None entity can simultaneously be manager and depositary of the same CIS except when, in exceptional circumstances, this is allowed.

The CNMV is the organisation responsible for the authorisation of the project for creating the CIS whereas the Ministry of Economic Affairs is responsible for authorising the creation of management firms. Depositaries need to obtain an authorisation from the CNMV, which is also responsible for the supervision and inspection. Sanctioning corresponds, depending on the category of the infringement, to the CNMV, the Ministry of Economic Affairs or to the Council of Ministers.

Investments' characteristics

CIS could invest in any kind of financial assets and instruments, including derivatives, shares and shares in other CIS or non-listed companies. The specific type of assets allowed for each investment fund is defined on its investment policy.

To comply with the risk diversification principle, with general character, investment on assets or financial instruments from the same issuer, or from organisations belonging to the same group, will never exceed five or fifteen per cent respectively of the assets of the CIS. The five per cent limit is expanded to ten per cent provided that the total investment from the CIS on values for which it exceeds the five percent threshold does not exceed the forty per cent of the CIS' assets. In no case this investment volume should enable the CIS exercising a significant influence on the society.

Assets suitable for investment include listed companies and, up to 10% of the CIS' assets, non-listed companies. Non-listed companies may also include, amongst others, venture capital entities, hedge funds or trusts. Because the liquidity of non-listed companies may be much smaller, there are additional clauses regulating this kind of investment. For instance, these assets should not present limitation to their free transmission and the investment is further limited on values issued or guaranteed by the same entity (maximum of 2% of the CIS' assets) or by entities belonging to the same group (maximum of 4%).

[vi] Sociedad Anónima (S.A.) in Spain.

4 Investment approaches and assets' selection

Investors may use different approaches to align their financial objectives with their ethical, social and/or environmental principles or values. Figure 1 shows strategies presently being followed along the investment lifetime, from the fund's investment policy (or assets' selection approach) to the assets' management. (Pre)Selection and management strategies may be applied to a limited part of the fund or to its full extent.

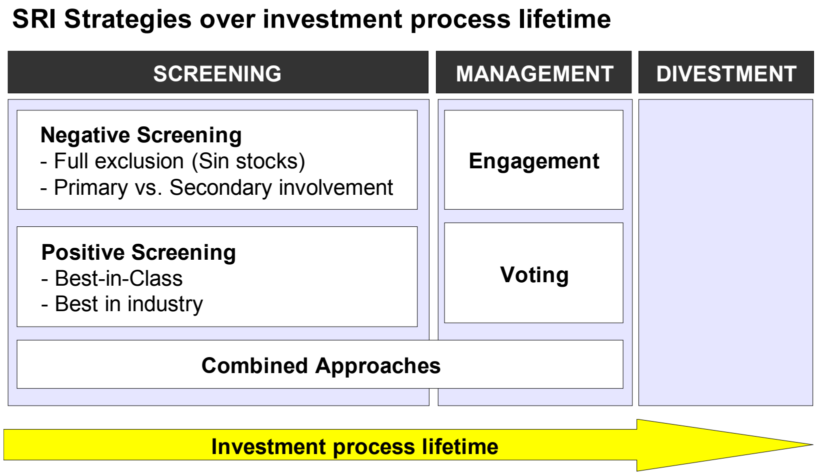


Figure 1: SRI strategies along the investment process (Based on the PRIME Toolkit [**10**])

Regarding investment policies, it is possible to distinguish between negative and positive criteria. Negative (or exclusive) criteria are defined as factors that, when fulfilled by companies, allow for the exclusion of certain assets from the investment portfolio.[1] Depending on the funds' specific investment policies, negative criteria may be related, for example, to business sectors (e.g. weapons, alcohol, and tobacco) or labour practice (e.g. in the case of companies' pension schemes).

Negative or exclusive criteria may also be applied to a different extent. Thus, a fund may fully exclude any company that has something to do with the weapons' industry (e.g. a bank financing weapons' exports or a supplier of this industry) whereas another may only exclude companies actually producing weapons or their main components (partial exclusion).

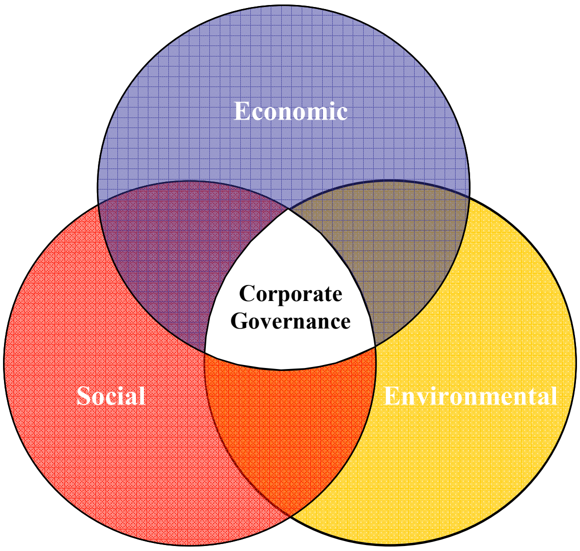
Positive criteria are those factors that allow for a positive discrimination of aspects such as labour practices or business sectors. These are usually applied when the fund intends to incorporate into its portfolio those companies with more developed policies on social, environmental or corporate governance issues (best-in-class approach) or intend to focus on specific business sectors such as renewable energies (thematic funds).[1]

The combination of these approaches may lead to the so-called "core SRI" or "broad SRI" strategies. The "Core" label groups exclusion strategies (using three or more criteria) and positive screening (thus including best-in-class approaches and thematic funds). The "Broad" label groups exclusion strategies based on less than three criteria (or when those are limited to ethical issues), the active engagement on companies management through their participation on shareholders meetings (*engagement*) and the integration of environmental, social and governance issues into the management of conventional investment funds.[11]

Methodologies for assets' analysis and selection

The implementation of investment policies based on Best-in-Class approaches has led to a myriad of methodologies and management systems for the assessment and follow-up of the companies a fund has invested in.

In general, methodologies assess one or more of the following dimensions: economic, environmental, social and/or corporate governance. Figure 2 visualises these dimensions and provides examples of specific issues usually covered by these methodologies.



Economic
- Turnover
- Shareholders' return
- Taxes
- Risk management

Environmental
- Environmental Policy & Management System
- Eco-efficiency
- Biodiversity

Social
- Labour practices
- Human rights
- Attracting and retaining talent
- Philanthropy

Corporate Governance
- Codes of Conduct / anti-corruption
- Relations with shareholders
- Information provided to *stakeholders*

Figure 2: Dimensions and examples of specific indicators (Source: own elaboration)

There are methodologies that cover these issues to a full or partial extent, in a generic form or covering sector-specific issues, considering some or all groups of stakeholders (groups affected by companies' activities including shareholders, clients, suppliers, workers, competitors, the community or the public sector). The number of indicators may range from a few tens to several hundreds.

Finally, it is important to highlight that there are different types of methodologies (or ways of presenting them) depending on the objective that their users have. On the one hand, a company or CSR manager may be basically interested on the company present performance on quantitative and qualitative terms (otherwise he/she will not understand how to improve). On the other hand, an investor or a fund manager may need a standardised classification (or *rating*) that transforms each company individual assessment into a common scale (e.g. numerical or with letters such as AAA or B+) that facilitates the comparison between companies (though is less meaningful).

Socially responsible indexes

There are several stock market indexes that list companies considered as (more) sustainable and/or socially responsible (either by the index managers or by rating agencies collaborating with them). Among the main indexes it is worth highlighting the Dow Jones Sustainability Index (DJSI), the FTSE4Good (from the Financial Times Stock Exchange), the ASPI Eurozone or the Ethibel Excellence Index. In some cases, SRI funds define their portfolio starting from the universe of companies listed in (one of) these indexes.

A. Summary: SRI's Basic concepts

SRI's Basic concepts
• <u>Ethical finances</u> are an instrument for social transformation. Investment on project finance is not an end on itself, it is a mean to reach broader positive impacts, be it on social, cultural or environmental dimensions. Economic return on investment is just important to ensure the survival of financial institutions. • <u>Socially Responsible Investment (SRI) funds may integrate sectoral, environmental, social and/or corporate governance criteria into their investment policies</u>. • There are different <u>SRI strategies</u>, from those applied on the selection of assets up to the dialogue with the companies the fund has invested in and the active engagement into their management by presenting proposals through their shareholders meetings. • The simplest SRI funds exclude business sectors whereas more complex ones aim at identifying the best companies in different areas (<u>*best-in-class*</u>). • SRI is not exclusive of investment funds. It may be applied (integrated) into any financial instrument investment policy (e.g. pension funds). • The Spanish legislation regulates the characteristics of the investments made by investment funds. In particular, these cannot invest more than 10% on non-listed companies (which is often the case of the companies belonging to the social economy sector). • There is a large variety of methodologies for assets' assessment. These methodologies assess dimensions such as <u>economics, environmental and/or social</u>, be it in a general way or including sector-specific issues.

5 The market of SRI funds in Spain

5.1 SRI funds commercialised in Spain

The SRI retail market in Spain evolves very slowly and, according to data from EuroSIF, Spain is the European country with less capital invested in SRI and is lagging further behind.[11] Investment occurs almost exclusively on the institutional market, though that is not an exception at European level. [12] The good news is that the financial return on socially responsible investment is not lower and risk is not higher than for conventional investment.[1]

The capital volume for socially responsible Collective Investment Institutions (CII) managed and commercialised in Spain was € 729 millions as of December the 31st 2008, after diminishing (primarily due to the financial crisis) 20.6% during 2008. Nonetheless, in percentage terms respect the total of investment funds managed and commercialised in Spain, SRI funds increased from 0.38% up to 0.43% during 2008. Socially responsible CII commercialised in Spain but managed from abroad decreased from € 6.650 millions to 4.871 in 2008.[1] The number of participants decreased by 10% down to 33.707 in 2008 (as compared to a 25% decrease in conventional funds).

By the end of 2008, there were 66 Socially responsible CII commercialised on the Spanish financial market, 17 of which managed by Spanish firms and 49 managed by foreign management firms.[1] During 2009, due to normal market circumstances but foremost due to the financial crisis, many CII got either merged or liquidated, got managed by other firms (e.g. BNP Paribas now manages 9 CII earlier managed by FORTIS), got their names changed or were not commercialised in Spain anymore. It has not been possible to find (complete) data for 7 CIIs (2 managed from Spain and 5 from abroad).

Table 1: CII commercialised and managed in Spain 2008 (Volumes as of 31/12/2008) [1]

#	CII	ISIN	Volume (k€)
1	Ahorro Corporación Responsable 30 FI	ES0107387039	**4.802**
7	BBK Solidaria, FI	ES0114186036	**4.115**
8	BBVA Bolsa Desarrollo Sostenible, FI	ES0125459034	**12.539**
9	BBVA SOLIDEZ V FI	ES0145928034	**628.721**
10	BNP Paribas Fondo Solidaridad, FI	ES0145874030	**6.898**
14	Fonengin FI	ES0138885035	**2.360**
15	CAM MIXTO Renta Fija, FI	ES0115070031	**542**
16	Gesbeta Compromiso Fondo Ético FI	ES0121091039	**8.490**
39	Foncaixa Cooperación Socialmente Responsable Europa, FI	ES0138074036	**4.363**
40	Foncaixa Privada Fondo Activo Ético, FI	ES0138516036	**8.879**
41	Fondo Solidario Pro Unicef, FI	ES0138518032	**2.611**
42	Fonpenedès Ètic i Solidari, FI	ES0138631009	**306**
59	Privado Inversión Socialmente Responsable, FI	Not Available	**286**□
60	Santander Solidario Dividendo Europa FI	ES0114350038	**15.301**
61	Santander Responsabilidad Conservador FI	ES0145821031	**15.720**
65	Urquijo Cooperación, SICAV	ES0130361035	**8.885**□
66	Urquijo Inversión Ética y Solidaria, FI	ES0182543035	**4.311**
		TOTAL Volume	**729.129**

□ CII for which it has not been possible to find (complete) data. Not included in the qualitative analysis (Chapter 6).

Table 2: CII commercialised in Spain and managed from abroad 2008 (Volume as of 31/12/2008)

#	IIC	ISIN	Volume (k€)
2	European Socially Responsible Equity Fund	Not Available	**64.986□**
3	Sustainable Future Global Equity Fund	LU0395743650	**85.174**
4	Axa World Fund Clean Tech	LU0293651054	**15.220**
5	Axa World Fund Human Capital	LU0316218527	**25.970**
6	Axa World Fund Responsible Development Bonds	LU0140866178	**9.620**
11	Amundi Funds Aqua Global	LU0272932475	**29.580**
12	CAAM Funds Clean Planet	LU0248702606	**25.500**
13	Amundi Funds Europe SRI S	LU0272938753	**10.480**
17	Crédit Suisse Equity Fund (Lux) Future Energy Aberdeen	LU0245980635	**93.190□**
18	Dexia Equities L Sustainable Green Planet	LU0304860991	**11.580**
19	Dexia Equities L Sustainable World	LU0133360593	**64.110**
20	Dexia Money Market Euro Sustainable	LU0206980632	**407.130**
21	Dexia Sustainable EMU	BE0174192774	**12.640□**
22	Dexia Sustainable Euro Bonds	BE0943336116	**214.400**
23	Dexia Sustainable Euro Corporate Bonds	BE0945493345	**306.860**
24	Dexia Sustainable Euro Government Bonds C Acc	BE0943336116	**265.050**
25	Dexia Bonds Europe Convertible "C"	LU0106567299	**62.360**
26	Dexia Sustainable Euro Short Term Bonds	BE0945490317	**216.930**
27	Dexia Sustainable Europe	BE0173540072	**74.430**
28	Dexia Sustainable European Balanced High	BE0169199313	**46.850**
29	Dexia Sustainable European Balanced Low	BE0159412411	**161.140**
30	Dexia Sustainable European Balanced Medium	BE0159411405	**284.940**
31	Dexia Sustainable Nord America	BE0173901779	**66.437***
32	Dexia Sustainable Pacific	BE0174191768	**54.899***
33	Dexia Sustainable World	BE0946893766	**38.280**
34	Dexia Sustainable World Bonds	BE0945478197	**19.120**
35	DWS Invest Climate Change A2	LU0298696344	**55.500**
36	DWS Invest New Resources A2	LU0273227941	**229.900**
37	DWS Invest Responsibility FC	LU0145644547	**33.900**
38	E.S. European Responsible Consumer	LU0161220339	**22.326**
43	BNP Paribas L1 Sustainable Bond Euro	LU0269743562	**56.460**
44	BNP Paribas L1 Equity Clean Tech World	LU0377075030	**15.630□**
45	BNP Paribas L1 Sustainable Equity Europe	LU0082276915	**81.090**
46	BNP Paribas L1 Sustainable Equity World	LU0377094254	**19.790**
47	BNP Paribas L1 Green Future	LU0251281332	**79.870**
48	BNP Paribas L1 Green Tigers	LU0374654613	**6.570**
49	BNP Paribas L1 Sustainable Diversified Europe Balanced	LU0087046354	**79.650**
50	BNP Paribas L1 Sustainable Diversified Europe Growth	LU0087047246	**21.060**
51	BNP Paribas L1 Sustainable Diversified Europe Stability	LU0087047089	**65.580**
52	ING (L) Invest Sustainable Growth Fund (Gr P Acc)	LU0119216553	**47.730**
53	ING (L) Renta Fund Sustainable Fixed Income	LU0300862447	**16.150**
54	JPM Global Socially Responsible Fund	LU0111753769	**46.777***
55	Mellon European Ethical Index Tracker	IE0030820165	**6.390□**
56	Pictet Funds – European Sustainable Equities	LU0144509717	**56.400**
57	Pioneer Funds Global Ecology A EUR ND	LU0271656133	**753.000**
58	Pioneer Funds Global Sustainable Equity I EUR ND	LU0119434545	**83.500**
62	UBS (Lux) Equity Fund - Global Innovators EUR P	LU0130799603	**337.868**
63	UBS (Lux) Equity Fund 2 Global Growth P	LU0383958823	**9.677**
64	UBS (Lux) Equity Fund Eco Performance CHF P	LU0076532638	**80.160***
		TOTAL Volume	**4.871.854**

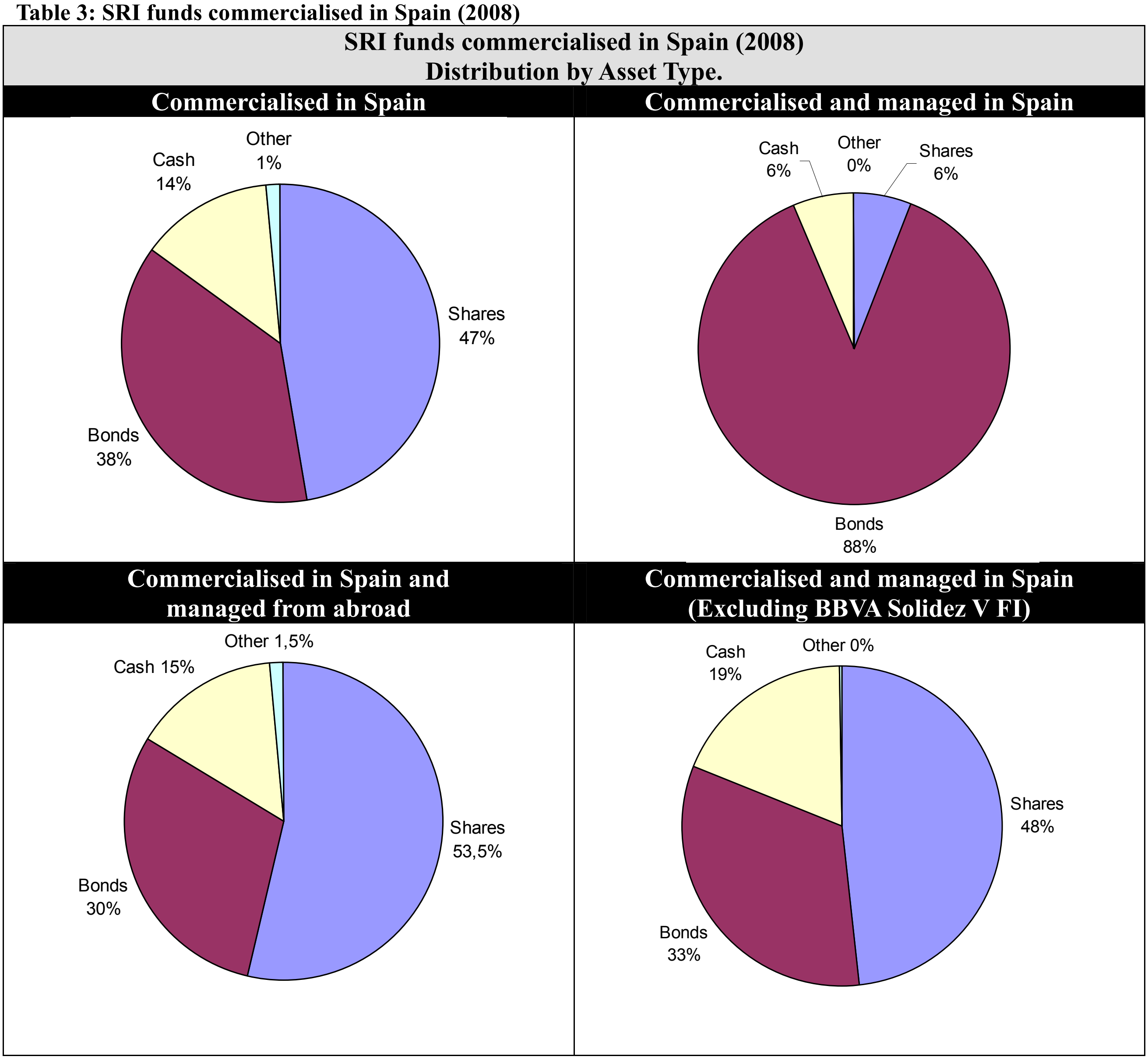
* CIIs in currencies other than the Euro. Conversion to Euros based on Exchange rates as of December the 31st 2008.

5.2 Qualitative analysis of SRI funds commercialised in Spain[vii]

5.2.1 Distribution by asset types

At European level, socially responsible investments (including public and private pension funds as well as Reserve Funds from Social Security) are concentrated around two categories: shares (33%) and bonds (53%). Within bonds, it is possible to distinguish between public debt (e.g. bonds issued by national or other governments) and private debt (e.g. bonds issued by private corporations). However, there are substantial differences between countries.[13] With regard to SRI investment funds commercialised in Spain (excluding pension funds and reserve funds), the situation is very similar. Figures on table 3 visualise the situation based on data collected on October 2009 for 59 funds.

Table 3: SRI funds commercialised in Spain (2008)



[vii] This qualitative analysis excludes 7 CII for which it has not been possible to find (complete) data. These correspond to numbers (#) 2, 17, 21, 44, 55, 59 and 65 in Tables 1 and 2 (Chapter 3).

It is possible to highlight some issues from the figures in Table 3:

- Investment in shares (47%) is bigger than investment in bonds (38%). Investment in shares is even bigger (53%) when considering funds managed from abroad only.

- In the case of CII managed from Spain, the fund BBVA Solidez V FI (that exclusively invests in Bonds and represented 86% of the volume of SRI funds managed in Spain) distorts the picture. When excluded, the situation becomes similar to the average SRI fund commercialised in Spain, with around 50% of its assets invested in shares.

- The category named “others” is negligible in all cases, which leads to the assumption that SRI funds commercialised in Spain do not invest significant amounts in non-list companies or *commodities*.

5.2.2 Sectoral distribution of SRI funds’ investments

Many of the SRI strategies implemented by the management firms make use of criteria related to the business sectors of the companies they invest in, either using negative criteria (e.g. excluding certain sectors) or positive criteria (e.g. thematic funds).

As can be seen in Figure 3, there are two sectors that stand out from the others. The industrial goods sector captures almost 30% of the total investment in shares whereas consumer goods capture 15%. The financial (10%) and the Healthcare (9%) sectors occupy the 3rd and 4th positions in the ranking in terms of investment volume. Based on the present categorisation[viii] it is not possible to extract conclusions (not even to get an impression) about the sectors that are usually found in exclusion criteria (e.g. weapons, nuclear energy, alcohol). It would be necessary to analyse all individual assets of every fund and this information is not readily available to the public.

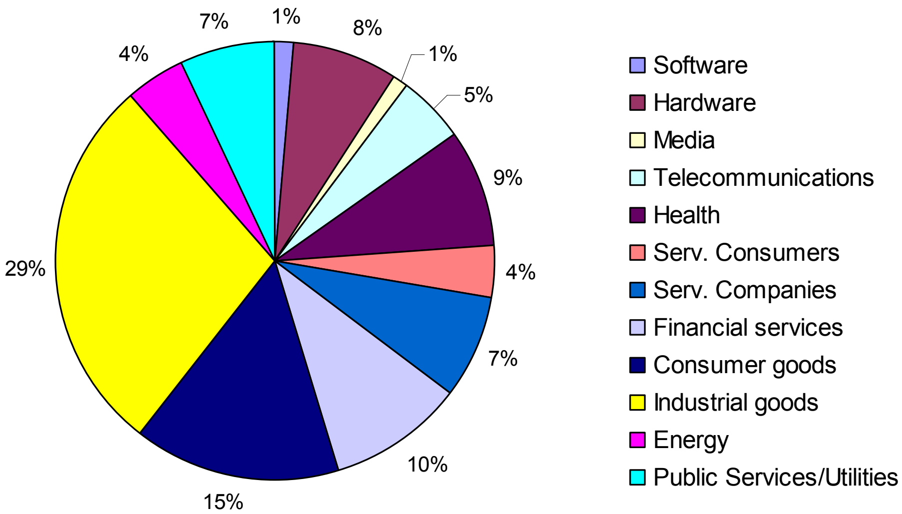


Figure 3: SRI funds commercialised in Spain in 2008.
Sectoral distribution of investment on shares

[viii] Based on the sectoral categorisation used by Morningstar.

The most interesting issue comes from comparing the differences on the sectoral distribution distinguishing by the origin of the management firm. As can be seen in Figure 4, there are significant differences. In particular, SRI funds managed by Spanish firms:

- Invest much more in telecommunications (+195%) and in the financial sector (+170%)
- Invest significantly more on the energy sector (+99%) and in software (+69%)
- Invest significantly less in services to companies (-84%) and industrial goods (-72%).

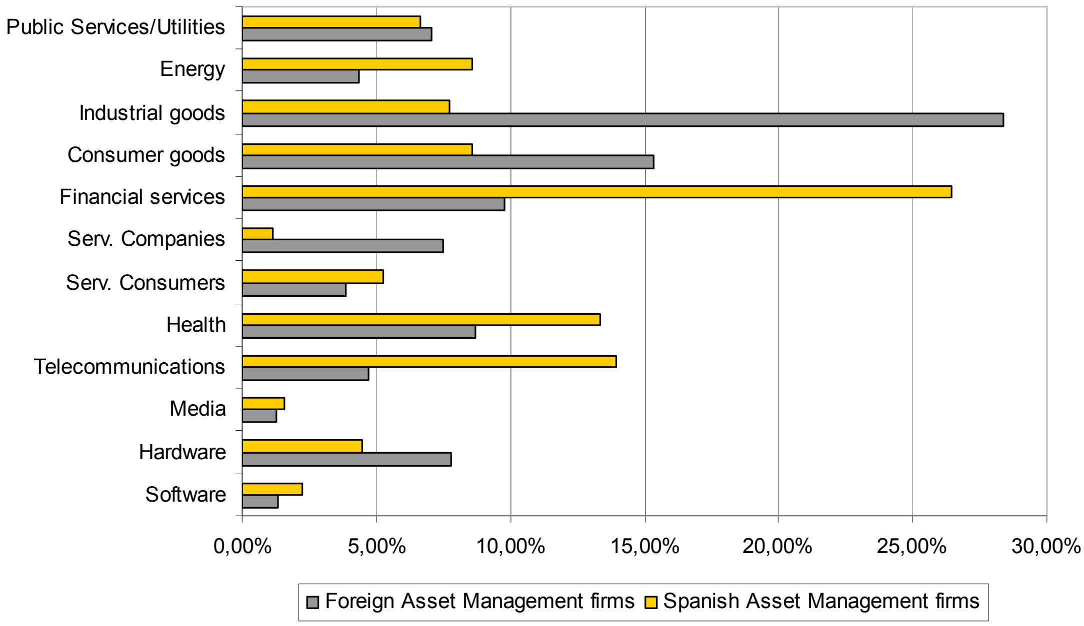


Figure 4: SRI funds commercialised in Spain in 2008.
Differences on the sectoral distribution of shares' investments depending on the firms' origin

6 Investments of SRI Funds in Spain

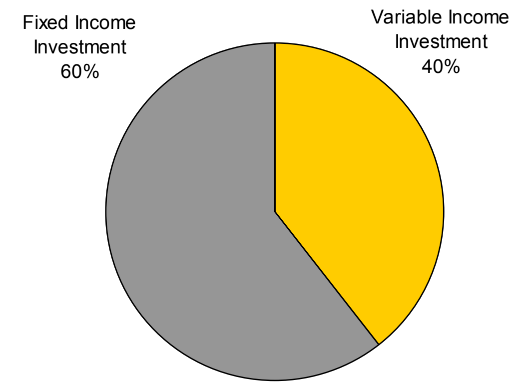
6.1 Assets' description and identified organisations

Based on the <u>10 main assets of every fund</u> (in terms of volume)[ix], <u>361 different assets</u> have been identified (e.g. different issuances of debt by the same organisation are considered different assets) corresponding to <u>281 different organisations</u>. 88% of these organisations are companies. These assets represent 33% of the total investment in SRI funds commercialised in Spain and account for approximately € 1.800 millions. About 62% is invested in companies, broken down into shares (39%) and bonds (23%). The rest of the money is invested in public debt (36%) or, to a much lesser extent, in other financial instruments (e.g. other investment funds).

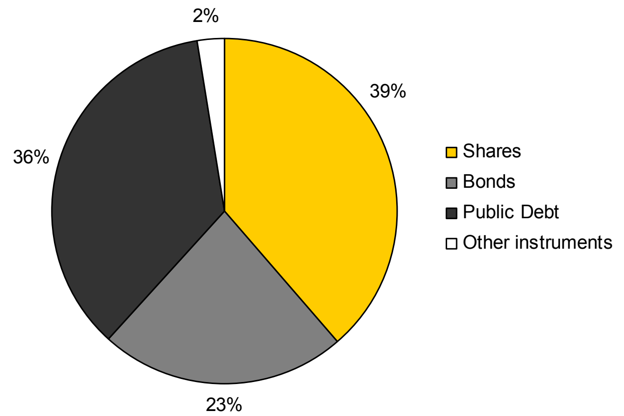
Table 4: Characteristics of the assets

Assets' distribution (by investment volume)			
Categories	**Thousands of €**	**%**	**% of total SRI Funds**
Investment volume VI[x]	711.104	40%	13%
Investment volume FI	1.086.895	60%	19%
Investment volume[xi]	**1.797.999**	**100%**	**32%**
Shares	711.104	39%	13%
Bonds	426.104	23%	8%
Public Debt	660.791	36%	12%
Other Instruments	43.697	2%	1%
Investment Volume	**1.841.696**	**100%**	**33%**

Fixed Income vs. Variable Income



By type of financial instrument



Organisations' distribution (by number)		
Type	**#**	**%**
Company	248	88%
Government	9	3%
Other	24	9%
Total	**281**	**100%**

Figure 5 compares the sectoral distribution based on the number of organisations and the investment volume. 19% of the organisations that have received investment are part of the financial sector and

[ix] Data collected from www.morningstar.es between September the 21st and October the 6th 2010.
[x] VI and FI stand for Variable and Fixed Income respectively.
[xi] Does not include "Other financial instruments".

concentrate around 39% of the total investment volume in companies. In all other sectors, except for the consumers' services, the situation is the opposite and the investment is much less concentrated.

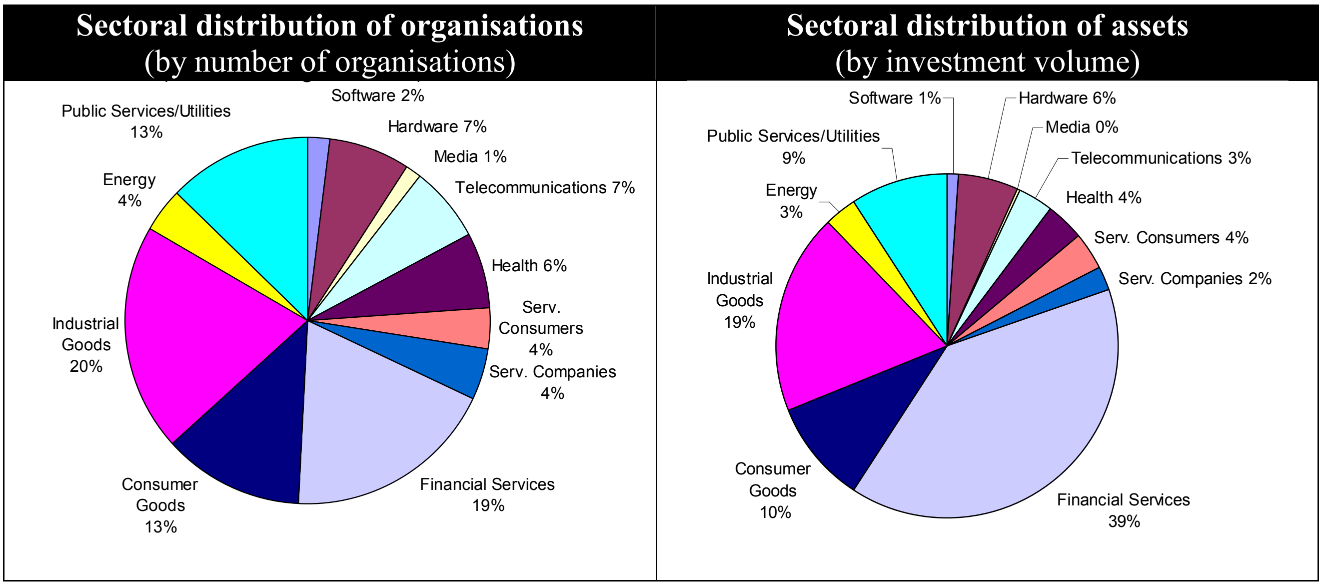


Figure 5: Sectoral distribution of assets and organisations

Figure 6 shows the important specific weight of the financial sector when considering the top 10 investments of every fund. This weight is even bigger when considering the funds managed by Spanish firms.

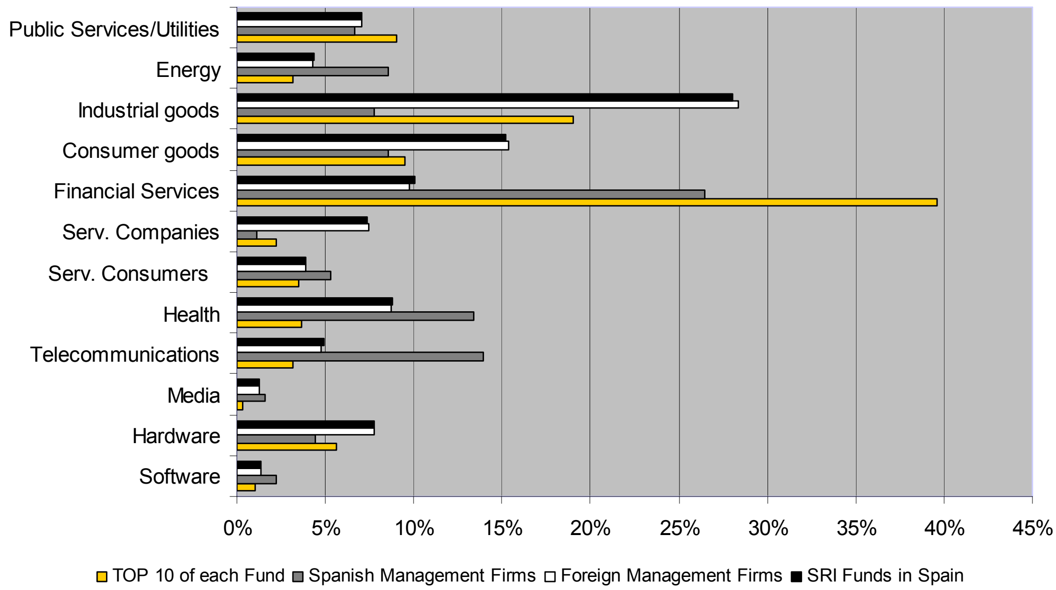


Figure 6: Comparison of assets' sectoral distribution

The geographical distribution of organisations that have received investment from SRI funds is largely concentrated. Spain (23%), United States (16%), Germany (15%), France (12%) and United Kingdom (9%) concentrate 75% of the total volume of investment. 67% of the organisations receiving investment are located (or listed on the stock markets) of these countries.

6.2 Selection of 20 organisations

The 20 selected organisations account for an investment of € 457.3 million, representing the 8.16% of the investment volume of SRI funds commercialised in Spain. The 10 Spanish companies included in this selection account for € 298.6 million and represent 93.21% of the investment in Spanish organisations.

Table 5: Selected organisations

ORGANISATION	COUNTRY	TOTAL (k€)	In # funds	Category
BBVA S.A.	Spain	128.977	6	Spanish Bank
Caja De Madrid	Spain	91.497	3	Public Spanish Bank
HSBC Holdings PLC	UK	29.608	14	Foreign Bank
Caja De Ahorros De Salamanca	Spain	29.361	1	Public Spanish Bank
United Utilities Group PLC	UK	19.512	2	Water / Public Utilities
Iberdrola	Spain	18.753	7	Energy / Public Utilities
Royal Dutch Shell PLC	UK	17.790	11	Oil and Gas
Snam Rete Gas	Italy	17.696	1	Gas / Public Utilities
Credit Suisse	Switzerland	15.093	4	Foreign Bank
Danisco	Denmark	13.663	2	Food
Vestas Wind Systems A/S	Denmark	13.482	4	Renewable Energy
Vodafone Group PLC	UK	13.240	10	Telecommunications
Nestle SA	Switzerland	12.186	11	Food
Abengoa, S.A.	Spain	9.629	1	General Contractor
Acciona,S.A.	Spain	8.717	1	Diversified
Novartis AG	Switzerland	6.366	8	Pharmaceuticals
Telefónica, S.A.	Spain	5.360	7	Telecommunications
Banco Santander S.A.	Spain	4.332	8	National Bank
Gamesa Corporación Tecnológica, S.A.	Spain	1.499	1	Renewable Energy
EDP	Spain	541	3	Energy / Public Utilities

The selection of the sample of companies to be analysed from a qualitative point of view has been guided by 3 criteria: investment volume, number of appearances in funds and sectoral equilibrium. Figure 7 shows the equilibrium on the sectoral distribution of the sample.

The appearance on different funds implies a consistency among the assessments made by different organisations (either the management firms or the rating agencies hired by them) and allows for the identification of strong (or weak) points in the assessment methodologies. A balanced sectoral distribution allows for an extension of the analysis (and possibly recommendations) to more sectors while enabling, most of the time, the comparison of companies within the same sector (e.g. competitors).

Chapter 10.1 includes a more detailed description of the methodology used for the selection of organisations.

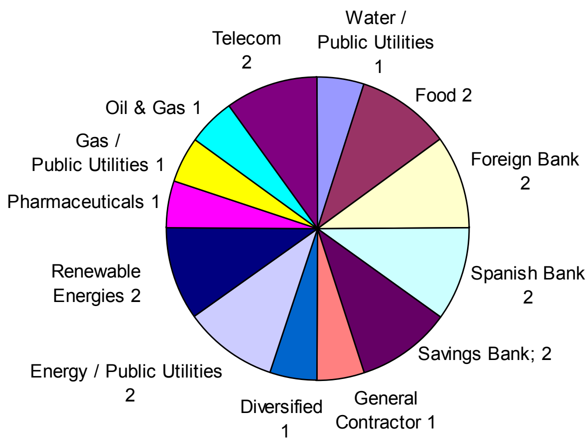


Figure 7: Sectorial distribution of the sample of organisations

6.3 Qualitative analysis of 20 selected companies

Company	Unfavourable	Ref.	Favourable	Ref.
BBVA S.A.	Finances an oil pipeline in Ecuador affecting protected areas, damaging crops, pastures and water and draining lakes. Project approval violated articles from Ecuador's Constitution and its Law for Environmental Management.	[14] [15]	Included in DJSI world and DJSI Europe in 2010, FTSE4Good and other socially responsible indexes such as ASPI Eurozone or Ethibel Excellence Indexes.	[16] [17]
	Finances (and owns shares in) companies producing and exporting weapons to countries reported by the UN and the EU on human rights matters.	[15]	Its program Metas educativas 2021, in alliance with an international organisation (OEI), will benefit more than 8 million people in South America.	[143]
	Shareholder of 16 companies based in tax heavens (of which 11 with activities on finance) and does not report on the profits generated by these companies.	[18] [19]	16% of its staff in Spain is member of its program Euro Solidario, contributing a Euro every month to finance projects in South America.	[14] [20]
	US$ 65 millions invested in companies violating human rights: Total, Wal-Mart, Vedanta Resources and Freeport McMoran.	[21]	20th (out of 50) on the Ranking Safest Banks Awards Global Finance (Global Finance magazine).	[22]
Caja de Madrid	Finances an oil pipeline in Ecuador affecting protected areas, damaging crops, pastures and water and draining lakes. Project approval violated articles from Ecuador's Constitution and its Law for Environmental Management.	[14] [15]	By playing the game "The human rights adventure", children get to know the values of The Universal Declaration of Human Rights.	[23]
	1st position on the ranking of Spanish banks involved in the military industry. Ranking is based on investments in the military industry and the turnover of the companies that received investment.	[24]		
	Two daughter companies in tax heavens (Caiman Islands).	[25]		
HSBC Holdings PLC	Finances companies such as Total (extracting gas from Myanmar, a dictatorship systematically violating human rights) or Vedanta Resources (mining company causing deforestation and contaminating rivers and underground water in India)	[26] [27]	The Financial Times and the International Finance Corporation have granted the 2010 FT Sustainable Bank of the Year Award to the Cooperative Financial Services and distinguished HSBC UK as a "Runner-up".	[28]
	Deviating capital from the corrupt government of Equatorial Guinea from the Riggs Bank to HSBC's bank accounts and hiding behind bank secrecy laws in Luxembourg.	[29]	Signatory of the Ecuador Principles, the UNEP Finance Initiative and the UN Global Compact. Supports the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria.	[30]
	Financing the construction of hydroelectric power stations in Aysén (Chile). This could flood 5.910 ha of an area with unique ecosystems.	[18]	HSBC collaborates with WWF and the Forest Stewardship Council to design policies that will protect its lending and its reputation.	[31]
United Utilities Group PLC	In light of a price review in 2009, the group took the decision to end classroom-based education services from April 2010. The business claims it will continue to promote specific campaigns and education materials will be available on its website.	[32]	The group is extending its Sustainable Catchment Management Programme (SCaMP), building on recognised successes over the last five years.	[32]
			In 2009 was recognised as "Business in the Community's Company of the Year" and got the top score on this CSR index.	[32]
			In 2009 was the water sector leader in the Dow Jones Sustainability Index.	[32]

Company	Unfavourable	Ref.	Favourable	Ref.
Iberdrola	Incidents in nuclear power stations in Ascó (2008) that required thousands of people to undergo radiation tests. Accused of lack of investment and, in 2005, accused of hiding information and to prioritise the production of energy over security.	[14] [18] [33] [34]	Included in Global 100 list of Most Sustainable Companies in the World. Best Electric Utility company for its strategy against climate change (Climate Leadership Index) and the only one present on DJSI's 10 editions.	[35] [36] [37]
	Undue charges and energy cuts. Increased energy prices without authorisation to do so and manipulated prices in South America. In the meanwhile, the company obtains huge profits as compared to its investment because of reduced purchasing prices (due to privatisation processes), its influence over national governments (supported by the Spanish State) and co-financing from the World Bank.	[38] [39]	Code of Professional Conduct that regulates the behaviour of all group's professionals and, specifically, those related with defending human rights.	[37]
			Creation of an (internet) Portal del Voluntariado and execution of corporate volunteering projects (e.g. electrification of rural areas)	[14] [37]
	Two daughter companies based in tax heavens and with financial activities.	[18]		
Royal Dutch Shell PLC	Included in the DJSI World 2009/2010 but excluded by the end of 2010.	[40] [41]	20th in the 2010 Global 100 list of Most Sustainable Corporations in the World.	[42]
	Over the last 30 years spilled more than 400.000 tons of crude oil into the soil and rivers in the Niger Delta. The majority of these due to ageing facilities, inappropriate maintenance and human errors.	[43]	According to an investigation of the United Nations Environment programme (financed by Shell), sabotages were the main cause of oil spills in Nigeria. Shell has not been able to provide evidence sustaining this claim.	[44] [45] [144]
	Fine for bribing Nigerian custom officials: in 2010 reached an agreement with the Securities and Exchange Commission (SEC) and will pay US$ 48 millions to settle the case.	[46]	Its staff receives training on the Code of Conduct and (whenever relevant) specific training to fight against corruption.	[44]
	Accused of Human Rights violations, in 2009 accepted to pay US$ 15.5 millions to activists' families before the start of a trial in New York. The company denies its involvement on the death of several activists (and remains officially unpunished).	[41]		
Snam Rete Gas	Construction of an oil pipeline of 687 Km. in Italy, in many areas without the proper Environmental Impact Analysis and despite the opposition of numerous regions and municipalities.	[47]	The European Investment Bank (EIB) contributes € 300 million to financing the oil pipeline project.	[47]
	ENI and Snamprogetti were charged by the SEC with Foreign Bribery and Related Accounting Violations in Nigeria and will pay US$125 million to settle these charges. Snamprogetti will pay US$ 240 million to settle separate criminal proceedings announced by the U.S. Department of Justice.	[48]	Participates in the UN Global Compact and is included in the DJSI World (Dow Jones Sustainability World Index)	[49]
Credit Suisse	The company co-financed 4 of the Top 5 producers of cluster bombs (e.g. Lockheed Martin or Textron)	[50]	Donated US$ 1 million to UNICEF following reports that child labour was used in a football promotion scheme.	[51]

Company	Unfavourable	Ref.	Favourable	Ref.
	Financed socially and environmentally controversial projects such as mines, oil pipelines or paper mills.	[26]	Recognised as the Best Global Bank on the Euromoney's 2010 Awards for Excellence	[52]
	Has not signed the UN Principles for Responsible Investment (UNPRI)	[53]	Included in the DJSI World and FTSE4Good since their launch in 1999 and 2001 respectively.	[54]
Danisco	Promotes the commercialisation of biofuels made out of starch, despite the risks of reducing land use for food crops or provoking the deforestation of new areas.	[55]	The safety of food ingredients is assessed and labelled following local legislation. The same occurs with Genetically Modified Organisms.	[55]
	The Confederation of food and drinks industries in the European Union (CIAA) has spent € 1 billion opposing labelling proposals from consumer groups and to promote its own. Several members such as Nestlé are Danisco's clients.	[56] [57] [58]	100% of its factories producing sustainable palm oil are certified by the Round table for Sustainable Palm Oil (RSPO) (which does not imply that plantations are also certified).	[55]
	Member of the Round Table for Responsible Soy (RTRS): promotes soil monocultures and considers transgenic soil as sustainable.	[59]	Included in the Dow Jones Sustainability World Index and the FTSE4Good Index Series since 2002	[55]
Vestas Wind Systems A/S	The company spent £500,000 to solve health and safety problems related to the exposure of workers to epoxy resins (and hazardous substances) used in the production of turbine blades.	[60]	42nd in the 2010 Global 100 list of Most Sustainable Corporations in the World and member of the UN Global Compact.	[42] [61]
Vodafone Group PLC	Agreed to pay £1.25 Billion to settle a case of tax avoidance. Activist claim report the total amount should be £6 Billion.	[62] [63]	Included in the DJSI World and 8th in the 2010 Global 100 list of Most Sustainable Corporations in the World.	[42]
	Has not declared any expenditure on lobbying activities neither in the EU nor in the US. Vodafone is member of GSMA Europe, association that declared more than €1 million on lobbying expenses.	[64]	In Kenya, 9 million customers have registered to use the mobile money transfer service. Rural recipients of money transfers have increased their income 30% since they started using it.	[65]
	Didn't react to a study that reported 12 cases of heavy-metal polluted water. One of the 8 (out of 29) telecom companies that didn't respond nor indicated to take any measure.	[66]	In collaboration with Roll Back Malaria Partnership and Novartis, has developed SMS for Life, combining cell phones, SMS and Web technology to manage vaccines' supply.	[65]
Nestlé S.A.	Responsible for more violations of the requirements for baby food marketing than any other company.	[67] [68]	Included in the DJSI World 2010. Global Food Industry Award 2010 for its efforts in the advance of science and technology for the benefit of all.	[69]
	0.1% of its coffee suppliers are certified as "fair trade" to use this as an argument in their Public Relations campaigns.	[68]	The Code for Suppliers includes clauses on working hours, salaries and no discrimination. Specifies Nestlé's right to audit and cancel contracts.	[68]
	Reports indicate that SINALTRAINAL (trade union) leaders were assassinated by paramilitaries after workers exposed the use of expired milk. A lawsuit against Nestlé is pending in US courts for company's complicity in violent attacks.	[68]	Committed itself to identify and exclude from its supply chain all companies with high risk (palm oil) plantations and suppliers involved in deforestation activities.	[70]
	Ignores Supreme Court rulings in Philippines and fails to recognise trade unions rights and to negotiate with their representatives.	[68]		

Company	Unfavourable	Ref.	Favourable	Ref.
Abengoa, S.A.	Worst EU Lobbying 2008 Award for defending biofuels as sustainable in the European Parliament.	[71]	Stopped buying palm oil from Sinar Mas after Greenpeace reported that the company was contributing to climate change and to destroy the habitat of Sumatra's tigers.	[72]
	In Mexico the company has been denounced for not suspending the construction of a waste treatment plant despite a ruling from the Suprema Corte de Justicia de la Nación. Municipalities strive for withdrawing construction licenses.	[73] [74]	In Mexico has organised training workshops and executed projects for the construction of greenhouses and to condition the land around the plant for raising livestock.	[75]
	In 2009 had at least 4 daughter companies in a tax heaven (Delaware, United States).	[76]	Included in the FTSE4Good IBEX in 2009.	[75]
Acciona, S.A.	8 daughter companies in tax heavens (of which 4 with financial activities)	[18]	Sector leader in the DJSI. European Award for Corporate Sustainability by the European Business Award Organisation.	[77]
	In 2007, Acciona and Cemex built the Eurus wind farm keeping the right to mortgage the lands they had rented and obliging the landlords to consider all information in the contract as confidential.	[78]	Construction of a wind farm in Korea registered by the United Nations as a Clean Development Mechanism (CDM).	[77]
Novartis AG	In 2009, denied free vaccines against the H1N1 flu to poor countries in spite of the pandemic status declared by the WHO	[81]	Forética and Novartis in Spain convened the European Awards for Corporate Volunteering, as part of the European Year of Volunteering organised by the EU in 2011	[80]
	Received the Public Eye Swiss Award 2007 for Irresponsible Corporate Behaviour given by the NGO Bern Declaration and Pro Natura for using patent lawsuits in an attempt to limit access to affordable generic drugs in India and developing countries.	[79] [15]	Renewed its commitment with the World Health Organisation to donate leprosy treatments valued at US$ 26 million.	[82]
			Included in the DJSI World 2010/2011.	[83]
Telefónica, S.A.	In Chile has been reported for its "massive lay-offs, for increasing precarious work and for its practices against trade unions". Was already condemned in 2006 and 2007.	[84]	Telecom sector leader in the Dow Jones Sustainability Index (DJSI).	[85]
	8 daughter companies in tax heavens (of which 2 are not active).	[85]	25.450 employees contribute either as volunteers or as donors to social projects	[85]
	Consumers' organisations reported commercial malpractices and has been fined by the EU with € 151.9 million for abusing its dominant market position.	[18] [86] [87] [88]	Deployed 84 initiatives to reduce the economic, educational, geographical, (dis)abilities and health gaps with an investment totalling € 426 million.	[85]
Banco Santander S.A.	Directly financing the Río Madeira project (Brazil) and with financial links to companies involved in the HidroAysén project (Patagonia, Chile), two hydroelectric projects with a high environmental and social impact.	[14] [18] [89] [90] [91]	Included in the DJSI, the FTSE4Good and other socially responsible indexes such as ASPI Eurozone or Ethibel Excellence Indexes.	[92]
	Tried to stop (without success) the website of the campaign "Banco Santander sin armas" that accuses the bank of investing and financing companies producing weapons.	[93]	Established sectoral policies on defence, energy, water and forestry.	[92]

Company	Unfavourable	Ref.	Favourable	Ref.
	Has a Representation Office in Brussels exclusively dedicated to lobbying but the company has not declared lobbying expenses in the EU (2009).	[93] [94]	Suppliers formally commit to comply with the 10 principles included in the UN Global Compact. 95% are local suppliers.	[92]
	In 2008, its profit in tax heavens raised to € 248 million. In 2009, Banco Santander had more than 50 daughter companies in tax heavens.	[19] [95]	In 2009, invested € 126 million in CSR projects and promotes CSR in a network of 85 universities in South and Central America.	[92] [96]
Gamesa Corporacion Tecnologica, S.A.	Has daughter companies based in tax heavens but does not provide information about their operations.	[89]	In 2010, renewable equipment sector leader in the DJSI World. Included in the FTSE4Good Index and the Ethibel Sustainability Index	[97]
	Gamesa participates in wind farms projects in Oaxaca (México) that led to indigenous' land spoils.	[98]	In June 2007 Gamesa signed the Caring for Climate declaration.	[97]
EDP	In 2005, power station in Aboño was the 3rd most pollutant power station in Europe (EU-25) in CO2 terms.	[99]	Number one in the electric utilities sector in the Dow Jones Sustainability World Index (DJSI World)	[100]

No significant data has been found about Caja De Ahorros De Salamanca (nowadays named Caja de Inversiones Salamanca y Soria).

6.4 Detailed analysis of the Top 4 Spanish organisations

6.4.1 BANCO BILBAO VIZCAYA ARGENTARIA[xii]

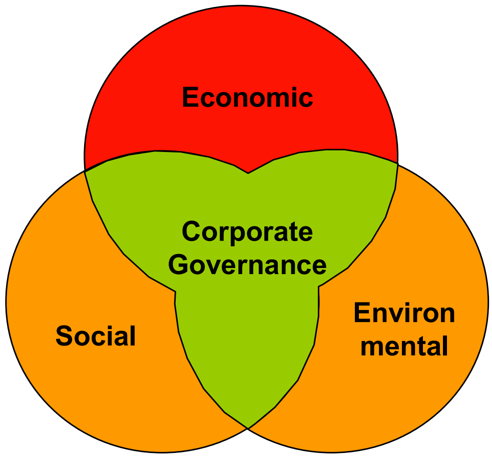


Figure 8: BBVA – Graphical visualisation of discrepancies (see footnote)

A. Principles, signed agreements and standards, stock market indexes and awards [17, 101]

- UN Global Compact (UNGC)
- UNEP Environment Program Finance Initiative (UNEPFI)
- The Equator Principles (EP)
- UN Principles for Responsible Investment (UNPRI)
- Carbon Disclosure Project (CDP)
- Global Reporting Initiative (GRI)

These initiatives are voluntary or their fulfilment is (almost) not externally verified (e.g. UNEPFI, UNPRI). Within the financial sector, these initiatives rarely focus on banks' financing operations.[101] The BBVA has neither signed the Carbon Principles, the Climate Principles nor the Extractive Industries Transparency Initiative, all relevant to the financial sector.[26] In 2008 the BBVA approved the removal of the US$ 10 million threshold (of projects' minimum budget) for applying the Equator Principles.[20] BBVA is included in indexes such as DJSI,[16] the FTSE4Good and other socially responsible indexes such as ASPI Eurozone o Ethibel Excellence Indexes.[17]

B. Corporate Governance

A study on Good Corporate Governance of the companies included in the IBEX-35 revealed that BBVA complies with 54 of the 58 recommendations included in the Unified Good Governance Code[8], partially complies with 3 and explains non-compliance with one.[102] Despite not subject to advisory voting in the shareholders assembly, BBVA claims its remuneration scheme is in line with best practices' standards and principles of Corporate Governance both at national and international level.[17] All 15 members of the Board of Directors have golden parachutes in their contracts.[102]

The average remuneration of the members of the board in 2009 was € 2.465.430 (as compared to an average of € 632.410 in the IBEX-35). In the case of executive members, the average remuneration reached € 3.976.000. In 2009, BBVA distributed 66% of its profits as dividends to its shareholders, very close to the average value in other IBEX-35 companies.[102]

C. Economic impact

The economic added value in 2009 was € 20.315 million, distributing € 1.574 million as dividends. The bank employs 103.721 people worldwide, has 46.8 million customers and more than 884.000 shareholders. The bank paid € 1.141 million in profit taxes in 2009.[17] The BBVA manages a total of € 535.1 billion assets.[26]

[xii] An explanation about the methodology to elaborate the graphical visualisation of discrepancies can be found on chapter 10.1.3 of this document.

The "BBVA especially values those suppliers that share the principles sustaining this code and that have adopted the UN Global Compact commitments when executing their activities"[17] though does not indicate whether or not this is an exclusive criterion. In 2009, 56 % of the group's purchases have been made to local suppliers.[17]

Regarding the present reform of the financial system regulatory framework, BBVA reports it is engaging with market stakeholders (such as governments and regulatory bodies) and actively participates in all relevant regulatory matters (e.g. regulation of minimum capital requirements) via its Unidad de Coordinación de Asuntos Europeos based in Brussels (Belgium).[17, 94] However, as of November 2010, the bank neither appears on the voluntary register of interest groups established in the European Union nor in the compulsory one established in the United States.[103, 104]

In 2004 the BBVA Group stated its policy about activities in Offshore Financial Centres (earlier known as tax heavens) accompanied by a plan to reduce its presence down to 3 centres in offshore jurisdictions. Since 2004, the bank has closed 37 Offshore centres[17] while 3 more are in a liquidation process and another 5 have ceased their commercial activities.[105] The BBVA still has participation in 16 companies based on tax heavens (of which 11 with financial activities).[18]

The BBVA does not report about its profits in its offshore centres[19], though according to some sources the BBVA (and Banco Santander) avoided paying € 58 million in taxes (from the dividends on Telefónica's shares) by means of (legal) operations via companies based on tax heavens.[106] Already in 2002, Bank of Spain's legal services discovered that the company had kept two secret accounts in the tax heaven of Jersey for 13 years (with around € 224 million), another in Liechtenstein and a third one in Switzerland.[107]

The bank claims to have a Management Model to prevent Money Laundering and financing terrorist activities[17], though, according to Banktrack, the bank only has signed voluntary initiatives and standards or has an ambiguous policy avoiding the assumption of clear commitments.[101]

The BBVA, as other banks and financial institutions, has received the first condemnation for the application of the so-called "cláusula suelo" on mortgages and has been obliged to withdraw it and not apply it in the future. The bank will present a remedy of appeal against this ruling.[108] The "cláusula suelo" establishes a minimum interest rate that the bank will charge to its client even if the EURIBOR falls below this value.

D. Social impact

BBVA has well developed programmes for its employees, covering a wide range of issues including, but not limited to, training, professional development, remuneration and promotion policies, alignment of personal and professional lives or health and safety issues.[17] However, critics highlight an increasing pace of outsourcing in South America, where bank's acquisitions have been followed by staff reductions and/or increased subcontracting to other companies (with less labour rights).[109]

In 2009 BBVA invested € 79.1 million in social-related activities, 1.88% of the Group's profit. Of these, € 36 million were invested in the community and another € 44 million channelled through its foundations.[17] Moreover, one-sixth of BBVA's personnel in Spain has adhered to the Euro Solidario programme by which each employee contributes one Euro every month to finance projects in Latin America. This represents 4.882 employees, 16% of the staff. [14, 20]

On the external side, BBVA's strategy is focused on financial inclusion and (financial) education. It has projects aiming at facilitating access to financial services (initially only in Latin America) to those groups of the population that do not have the guarantees required by traditional banks. This situation exposes them to usury and limits their entrepreneurial opportunities as well as the economic support they may require to satisfy their needs. [17] Critics claim these are policies and strategies to incorporate this population to the banking system and to turn poverty into debt.[15]

In 2009, in South America, BBVA increased the number of clients it had financed by 100.000 and the volume of financing through credit cards by € 175 million. The Fondo BBVA Codespa Microfinanzas, which main objective is to contribute to the development of the microfinance industry in Latin America, closed 2009 with a volume of € 28 million. Moreover, BBVA commercialises and manages several investment funds labelled as Socially Responsible Invetsment.[17]

The financial education is one of the BBVA's key areas for social intervention as the bank claims it facilitates the understanding of the financial sector and its services, thus being an opportunity to renew the citizens' relationship with the financial sector. Moreover, the bank claims that the fact that clients make better informed decisions has a positive impact on risk management, favours saving and strengthens the financial sector as a whole. On the field of education, the bank has established alliances with several organisations in Latin America and Spain. [17]

Recently, the BBVA has extended its education-related activities beyond financial topics. With its programme Metas educativas 2021, the BBVA claims to reinforce its commitment with education in Latin America and will benefit more than 8 million people until 2021. In 2009 more than 56.000 children benefited from the program, which involved more than 2.000 volunteers and had a total investment of € 12.5 million. The BBVA reports that it has established the biggest alliance between an international organisation (OEI) and a private company. [143]

On its darker side, BBVA is financing EADS, a consortium that participates in the production of missiles transporting nuclear heads. This fact violates BBVA's codes and norms, [110] though the bank reports that the companies involved in these activities are EADS' subsidiaries or participated companies and not EADS itself so the bank's internal procedure does not apply.[111]

In 2010, BBVA also participated in a syndicated loan of € 295 million to the Maxam group, a holding with companies fully dedicated to producing military explosives [112] as is the case of Explosivos Alaveses, S.A, a company that in the past produced anti-personnel mines and cluster bombs, nowadays prohibited in Spain. The bank has been accused of financing companies involved in the production of cluster bombs, [136] though the bank claims that does not have a relationship with Lockheed Martin since the beginning of 2010.[17]

On its norm about financing the defence sector, the bank prohibits financing weapons' exports to countries that do not comply with certain criteria (e.g. have been denounced by the United Nations or the EU on matters related to human rights) [101, 111] However, BBVA is financing exports of Italian weapons to countries denounced by the UN and the EU.[110] According to the bank, these exports have been made by its clients and not the bank itself.[111]

The BBVA is – directly or indirectly – shareholder of companies in the military sector that are suppliers of the Spanish Ministry of Defence as well as companies with a relationship with the military sector such as HISPASAT, INDRA, IBÉRICA DEL ESPACIO, RYMSA, HISDESAT and INMIZE (MBDA).[15]

The bank also has US$ 65 million invested in companies violating human rights: Total (extracting gas from Myanmar coast, a dictatorship systematically violating human rights), Wal-Mart (violating labour rights), Vedanta Resources (mining company illegally deforesting the Niyamgiri forest that have built an aluminium melting plant polluting rivers and underground water in India) or Freeport McMoran (managing the Grasberg mine in Indonesia, the world's most pollutant, and accused of hiring soldiers and policemen to assassinate and torture the indigenous population living close to the mine). [21]

E. Environmental impact

The BBVA has an environmental policy covering the whole Group; [17] however, the policy is focused on the bank's internal operations instead of its indirect impact through its investments and loans.[101] The bank has financed projects that, according to numerous organizations, have a high social and environmental impact. The construction of oil and gas pipelines in Ecuador and Peru are worth highlighting.

The bank financed the construction of the pipeline for crude oil in Ecuador with US$ 150 million. The pipeline is 485 Km. long and is capable of transporting 450.000 barrels of crude oil per day under the Amazon.[113] It affects 11 protected areas and damages crops, pastures, water and drains lakes. The article 88 of Ecuador's Constitution and Articles 21 and 24 of Ecuador's' Law for Environmental Management were violated during the negotiation and approval of the project.[15] In 2009, a breakage in the pipeline caused the spill of 14.000 barrels of crude oil on the biggest natural reserve in Ecuador. [113]

The gas pipeline in Camisea (Peru) consists of two pipelines of 700 Km.[26] In 2008 the BBVA participated in the second phase of the project in a syndicated loan of US$ 400 million.[114] Denunciation include the use of defective pipes or the use of non-qualified welders (provoking 5 breakages), the negative impact both on the way of life, economy and health of native communities and the violation of Peru's Constitution by financing projects that do not respect indigenous communities or the Convention No. 169 from the ILO.[15] According to the BBVA, the project of Camisea is backed since 2001 by the Banco Interamericano de Desarrollo and the Corporación Andina de Fomento.[20]

The BBVA indicates that it is financing two projects in Latin America (but does not name them) with a significant negative impact that may affect an area exceeding the area occupied by the project. These two projects account for 71% of the bank's project finance activities. Another 15% has been dedicated to finance projects with a minor negative impact. In Europe and North America 60% of the projects have a minor impact and 40% have no negative impact.

With regard to the HidroAysén, a hydroelectrical project in the south of Chile, in November 2009 the bank reported that it has not studied an eventual participation in this project and that it will not finance any project that does not fully comply with the Equator Principles. [17]

6.4.2 IBERDROLA & IBERDROLA RENOVABLES

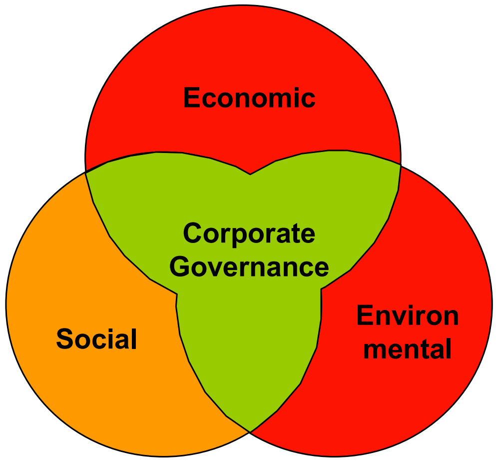


Figure 9: Iberdrola - Graphical visualisation of discrepancies

A. Principles, signed agreements and standards, stock market indexes and awards

- UN Global Compact (UNGC)
- Global Reporting Initiative (GRI)

The company committed to the Millennium Goals and adhered to several initiatives related to the fight against climate change (e.g. Red de Acción contra el Cambio Climático, *3C o "Caring for Climate").* [37]

IBERDROLA Is world leader in wind energy and nº 6 in the utilities sector by Stock Market Capitalisation.[37] Considered the Best Electric Utility company for its strategy against climate change by the Climate Leadership Index.[36] *Gold Class* and sector leader in the electric sector in the Sustainability Yearbook 2009,[37] lost its leadership in 2010.[115] In 2009, the Global 100 list includes IBERDROLA as the 55th company most sustainable in the world and is the only electric utility company in the world that has been present in the 10 editions of the Dow Jones Sustainability Index.[35, 37, 42] RENOVABLES is present in the FTSE4GOOD IBEX index.[35]

B. Corporate Governance

A study on Good Corporate Governance of the companies included in the IBEX-35 revealed that IBERDROLA complies with 51 of the 58 recommendations included in the Unified Good Governance Code[8], partially complies with 4 and explains non-compliance with 3.[102]

IBERDROLA does not submit its remuneration scheme to advisory voting in the shareholders assembly. Nine out of 15 members of the Board of Directors have golden parachutes (5 out of 15 in the case of RENOVABLES) and the average remuneration of the members of the board in 2009 was € 745.600 (as compared to an average of € 632.410 in the IBEX-35). In the case of executive members, the average remuneration reached € 6.516.000. In the case of RENOVABLES, the average remuneration was € 174.530 for the board members and of 790.000 for its executive members.[102] In 2009, IBERDROLA and RENOVABLES respectively distributed 98% and 80% and of their profits as dividends to their shareholders, values that are much higher than the average value in other IBEX-35 companies.[102]

C. Economic impact

IBERDROLA has assets valued at de € 87.367 million and a turnover of € 26.689 million in 2009. Profits and taxes reached 2.824 and 833 million Euros respectively. The group employs 32.424 people and 93% of its purchases are made to local suppliers (considering suppliers accounting for more than € 2 million and excluding fuel purchases). [37]

In 2009 the company totalled € 18.7 million in fines, as compared to € 1.69 million a year earlier. Main causes have been related to the quality of the service and to consumer protection issues.

Besides, there are sanctions accounting for € 70 million (of which 55 due to abuses of its dominant market position) that have been challenged or appealed in different courts.[37]

IBERDROLA maintains relations with regulatory bodies "devoted to achieve an efficient regulation that allows for a competitive market in activities not subject to natural monopolies and to provide them with all information these bodies may require". [37] In 2009, IBERDROLA registered in the United States lobbying expenses of US$ 393.000 though the company reports indicate that these expenses were € 23.203.[37, 104] As of November 2010 the company did not report any expense on the EU register for interest groups. [103]

IBERDROLA investments in Latin America are concentrated in few countries that have a "stable legal framework". The concentration of investments in areas with a common administration facilitates influencing governments' policies and regulations.[38] The support that Spanish multinational corporations receive from the Spanish government is not negligible as the government grants corporate investments abroad the status of "State contract". [39]

Critics consider these investments hyper-profitable because of three factors: the reduced purchasing price, the capacity to influence public administrations and the external financing made available by the World Bank and the like.[38] A daughter company of IBERDROLA participated in a bidding process to buy the Compañía de Energía de Sao Paolo. However, in this case the privatisation was frustrated due to the low price that the bidders were willing to pay.[38] The State government was not willing to reduce the initial price of US$ 3.815 million for a company with a market value of US$ 11.500 million.[116]

Other examples include contracts signed in Mexico under the External Energy Producer method (that guarantee the sale of the energy to be produced in the next 25 years while keeping the administration responsible for supplying the fuel) or the purchase of electric utilities such as Electropaz (56%) and Elfeo (58%) in Bolivia or EEGSA in Guatemala, of which IBERDROLA bought 80% en 1998 as part of a consortium for US$ 520 million.[38]

Iberdrola participates in a company based in the Caiman Island (*Offshore financial centre or tax heaven*) created to finance an energy project developed in England. According to the company, the liquidation process of this company is under way and two other companies, which appeared in its Sustainability Report 2008, have been already liquidated. The company does not consider United Arab Emirates a tax heaven because the country has signed a collaboration agreement with Spain.[37] However, other sources indicate that Iberdrola participates in 2 companies located in tax heavens, both with financial activities.[18]

D. Social impact

IBERDROLA has many programmes for its employees that cover a wide variety of issues. Among others, these include training and professional development, remuneration and promotion policies, conciliation of professional and personal life and health and safety issues. [37] In 2009, 78% of its employees were covered by collective agreements (as compared to 81% in 2008 or 87% in 2007). [37] However, the acquisition of Electropaz y Elfeo was followed by a 50% reduction of the staff and by the substitution of permanent workers by temporary ones with worst labour conditions and with no right to unionisation. Similar denounces occurred in Brazil.[38]

In 2009, the Group IBERDROLA invested € 84.3 million in social development, of which € 32 million were devoted to contributions to the community and € 52.4 million to rural electrification programmes.[37] An example of a corporate volunteering project was the electrification of a rural area with 700 inhabitants in Tabalera (Peru).[14] On top of the sponsored activities the company has created an (internet) Portal for Volonteers.[37]

All markets in which IBERDROLA commercialises electric energy have programmes to improve access to electricity by certain (vulnerable) groups (such as the "bono social" in Spain). [37] However, undue charges, prices' manipulation and energy cuts do not seem to be accidental or a result of mistakes. Numerous cases have been denounced in Brazil, Guatemala or Bolivia. In 2005, Brazil's federal Justice suspended a price increase by CELPE (daughter company of Iberdrola) and reduced it from 24% down to 7%. CELPE claim that the increase was due to the price it was paying for the electricity (137 R$ per MW/h when the market price was 57) it was buying to Termopernambuco. Iberdrola owned both companies.[38]

In 2009, according to IBERDROLA, a minor percentage of landlords in Oaxaca (México), that had rented their lands in a usufruct contract for the installation of a wind farm in La Ventosa, used coercive measures to get an increase on the payments that had been agreed upon.[37] According to other sources, Spanish companies Iberdrola, Endesa, Acciona and Unión Fenosa have been settled in the area by plundering the lands, threatening, deceiving and unaccomplishing promises to hundreds of indigenous people.[15] These companies bribed local leaders, municipal authorities and federal public servants to convince indigenous landlords to rent their lands at giveaway prices.[78]

As a counter argument, IBERDROLA reports that has achieved or is negotiating an agreement with other communities in Brazil or the United States.[37] The company also reports that in 2009 two projects from its Brazilian daughter company Neoenergía (that are building electrical infrastructure) have led to the need to move people form their homes. In total 71 families have been relocated and 18 fishermen have been economically compensated.[37]

Finally, the company participates in the military industry through its participation in the companies AMPER and Ibérica del Espacio.

E. Environmental impact

IBERDROLA claims investments in renewable energy are a strategic choice for growth and that this growth strategy is based on the development of renewable energies, mainly wind farms, and of "the most environmentally efficient technology for thermal production, natural gas combined cycle power plants". [37] Since 2005, when the Autobús Iberdrola started to travel around promoting sustainable development it has visited more than 150 towns and received more than 14.000 visitors per year.[117]

Nevertheless, the green image of IBERDROLA is being questioned. In 2007 the company invested more in coal power stations than in clean energy and its emissions increased both in absolute terms and by KW of produced energy.[38] Moreover, IBERDROLA is the biggest producer of nuclear energy in Spain, maintains coal power stations and presently builds combined cycle power plants.[118] In Latin America, its electricity generation activities continue to be linked to thermal power plants, especially fuel/gas, to natural gas combined cycle power plants and, to a much lesser extent, to co-generation. Another of its main sources is hydroelectric power plants which, in certain cases, have been the cause of major concerns.[89]

The company defends the "future role of nuclear energy as electricity source that does not generate greenhouse emissions" and that "favours the reduction of foreign dependency". IBERDROLA is shareholder (and operates) the nuclear plants of Vandellós, Nuclenor, Almaraz, Trillo, Ascó and Lemoiz,[37] and plans to build up new plants in México and Rumania.[15] In 2008 several incidents occurred in Ascó I y Ascó II, including a leakage that led thousands of people to undergo radiation tests. The regional government reported that the lack of investment was the cause of these incidents.[18, 33, 34] In 2005, the Nuclear Security Council stopped Vandellós II because of hiding information and "prioritising production on top of security".[14]

In 2009, the global position of the company resulted in a deficit of 6.703 thousand tonnes of CO_2 and the company has drawn on the flexibility mechanisms included in the Kyoto protocol.[97] These mechanisms include the participation in a Carbon Fund and the start up of projects registered as Clean Development Mechanisms (CDM).[38]

These mechanisms aim at favouring clean technology transfer to development countries through investments in infrastructure that contribute to reducing their emissions.[38] However, critical voices argue that 2/3 of the projects have not managed to achieve emission reduction and that the philosophy of the mechanism hinders emission reduction in developed countries.[119] In fact, IBERDROLA has labelled wind farms and hydroelectrical projects as CDM despite critics from numerous organisations. Moreover, the company received public financing and carbon credits under the CDM for the construction of a wind farm in Río Fogo (Brazil) despite subcontracting the construction, exploitation and maintenance to another company.[38]

The Environmental Impact Assessment is only done in Spain, United Kingdom and Mexico.[37] Maybe because of that, IBERDROLA has participated in projects outside these countries that, according to many organisations, have a big (negative) environmental and social impact.

IBERDROLA has joined the hydroelectric project in the Xingu River (affluent of the Amazon).[120] A report has estimated that there are only 28% chances that the dam has a positive financial return during its first 50 years of operation.[121] Among negative impacts, the losses from the fishery activities of local communities, the quality of water, the flooding of crop areas or tropical forests and the desiccation of others or the relocation of thousands of people stand out.[122, 123] Moreover, there is criticism regarding the consultation process for granting the construction and operation due to the lack of consultation with local people.[122]

IBERDROLA will also take advantage of (without being directly involved) the SIEPAC project (Sistema de Interconexión Eléctrica para los países de América Central), that intends to provide the United States with cheap energy (without paying for impacts, resources, etc.) produced with high environmental cost (CO2 emissions, impacts on habitats, etc.). The project will have an unprecedented environmental impact due to the installation of cables and energy production facilities throughout Central America.[15]

IBERDROLA Inmobiliaria is the main owner of an area affected by the Área de Interés Regional (AIR; Area of Regional Interest) of Marina de Cope and holds the presidency of the Asociación Colaboradora de Propietarios (Owners Collaborative Association) that brings together several companies, such as Caja Madrid, that own around 60% of the AIR. These terrains belong to the famous marine and are the ones with the higher real state value. The presence of strong investment groups is crucial for the development of this real state project.[118]

6.4.3 TELEFÓNICA S.A.

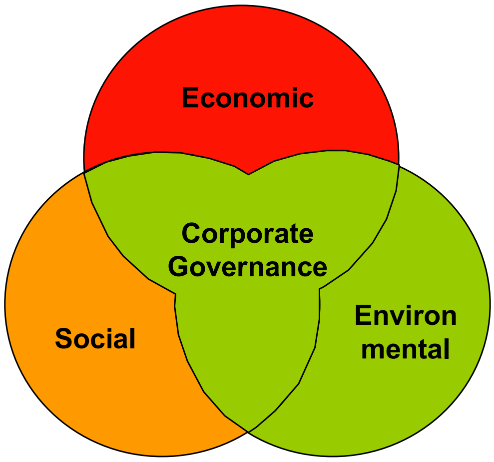


Figure 10: Telefónica - Graphical visualisation of discrepancies

A. Principles, signed agreements and standards, stock market indexes and awards

- UN Global Compact (UNGC)
- Global Reporting Initiative (GRI)

Telefónica is the leader of the Telecommunications sector in the Dow Jones Sustainability Index (DJSI) index and is included in the FTSE4Good index. Telefónica ranked 5th in the most admired companies in the world (*Fortune*) and 32nd in the best companies in the world (*Business Week*). [85]

B. Corporate Governance

A study on Good Corporate Governance of the companies included in the IBEX-35 revealed that TELEFÓNICA complies with 51 of the 58 recommendations included in the Unified Good Governance Code[8], partially complies with 3 and explains non-compliance with 4.[102] TELEFÓNICA does not submit its remuneration scheme to advisory voting by the general shareholder assembly and establishes limitations on voting rights. [102]

The average remuneration of the members of the board in 2008 was € 1.240.120 (as compared to an average of € 632.410 in the IBEX-35). In the case of executive members, the average remuneration reached € 5.320.670. In 2009, TELEFÓNICA distributed 85% of its profits as dividends to its shareholders, higher than the average value in other IBEX-35 companies.[102] Nine out of its 17 members of the Board of Directors have golden parachutes in their contracts.[102]

C. Economic impact

In 2009, TELEFÓNICA had a turnover of more than € 67.000 million that enabled payments of € 6.453 million to its employees, € 11.977 million to Public Administrations and € 5.785 million to shareholders. TELEFÓNICA spent 20.7% of its income in tax payments. The company has more than 260 million customers, 257.000 employees and 28.000 suppliers. Of these employees, more than 132.000 are employed by Atento (*Contact Center*). [85]

As part of their registration process, suppliers must fill in a questionnaire including questions based on the Universal Declaration of Human Rights by the United Nations as well as on several ILO conventions. TELEFÓNICA reports that the main risk factors on the suppliers' self-assessment (especially in South America) are minimum salary, child labour and forced labor.[85] The Company also undertakes audits.

The company reports that "The Grupo Telefónica, in general, does not use investment structures located in countries considered to be tax heavens". However, in its CSR report the company mentions 8 companies located in tax heavens, of which "the majority are inactive (2) or being liquidated".[85] According to another source, TELEFÓNICA has shares in two companies located in tax heavens (one of which with financial activities).[18]

Telefónica declared € 1.5 million expenses in lobbying in the EU and € 260.000 in the United States. Telefónica is member of GSMA Europe, association that declared more than € 1 million expenses in lobbying in 2008, when the European Commission was preparing the reform intended to harmonise (and reduce) phone rates and when (most of the) companies involved defended their interests.[64] During 2009, Telefónica "did not record donations to political parties". [85]

In 2007 the new limits on roaming rates imposed by the European Union entered into force. However, this has not resulted in the expected reduction in these rates. In June 2011, the European Commission has to decide on recommending the extension of these limits or to let them expire in 2012, something for what telephone operators are lobbying for in Brussels.[124] According to other sources, the intention is to eliminate roaming rates across Europe before 2015.[125]

In Latin America, Telefónica withdrew the lawsuit against the Argentine government before the International Centre for Settlement of Investment Disputes (ICSID) it had given notice of due to the pesification (1 peso = 1 US$) and the freezing of rates in 2002. The reasons behind the withdrawal of the lawsuit could be the need to "unblock" the letter of intent that Telefónica and the Argentine government signed in 2006, with no progress made since, or the excellent results that the company achieved in its cell phone business over the last years.[126, 127]

In Europe, the European Union fined Telefónica with € 151,9 million for abusing its dominant market position in Internet broadband access (the highest fine ever imposed by the EU to a telecom company).[87] The company has also received complaints from consumer organisations due to its bad commercial practices.[18] In 2008, FACUA-Consumidores en Acción made a complaint against Telefónica for charging the identification of incoming calls to thousands of consumers that neither had requested this services nor were informed about its costs. The charge represented a hidden increase of 3.6% the monthly phone bill.[86] In 2009 several sanctioning processes were opened against Movistar (Telefónica) and Vodafone for taking over the balance of prepaid card users that were not reloaded.[88]

D. Social impact

As other large corporations, Telefónica stands out for its large variety of programmes and other measures for the personal and professional development of its employees. Among other things, it enables flexible work, telecommuting and mobility and has specific programmes for high potential employees. Moreover, Telefónica "works for trying to secure for all its employees the right to belong to and to join its preferred trade union without fear for reprisals or intimidation". At Telefónica, close to 200.000 belong to different trade unions and, during 2009, around 72% of employees in its payroll had its labour conditions regulated by means of collective agreements. [85]

However, Telefónica Chile has been denounced "for its practices against trade unions, for massive lay-offs and for lowering the quality of employment". It had already been condemned in 2006 and 2007 by an official court, which sanctioned the company with two fines for persecuting trade union leaders and for blocking their access to the company's facilities. The People's Permanent Tribunal (Madrid 2010) highlighted that the company has always been backed by Chile and Spanish governments by means of political and trade agreements that "granted full economical and legal guarantees to its investments in Chile". [84]

In 2009 the company registered 18.9 million incidences (11.8 million in 2008), with invoicing-related complaints being the most frequent. In Spain, Telefónica was the phone operator with a lower percentage of complaints in fixed phone lines, Internet access and voice and data packages and is the only telecom operator in Spain that has created, on a voluntary basis, a Service for Customer Defence (Servicio de Defensa del Cliente). In 2009, this service registered 146.749 incidences as compared to the 165.103 it had registered in 2008 and, 80% of the cases resolved had a positive outcome for its clients.[85] As a specific measure for its unemployed customers (or as a measure to keep them), "more than 115.000 people in this situation took advantage of a reduction in their invoices. Moreover, 5.600 businesses took advantage of other specific measures".[85]

In 2009, Fundación Telefónica invested € 70 million in social and cultural actions, fostering the development of 5.591 initiatives and benefiting 56 million people (98% through online means). Telefónica Europa spent almost € 4 million in social initiatives (67% in Spain) mainly focused in youth and education. Voluntarios Telefónica counts on 25.450 employees (or retired people) that, on their own imitative, contribute their own time or money to social projects promoted, supported or facilitated by any of the companies of the Grupo Telefónica.[85]

Moreover, the company deployed more than 84 initiatives intended to reduce economic, education, geographic, ability and health gaps with an investment of € 426 million.[85] Some examples of these initiatives are included next.

The Proniño programme aims at "contributing in a sustainable way to the eradication of child labour in Latin America through education that secures the social, digital and educational inclusion of children and teenagers workers". By the end of 2008 the programme had benefited 100.000 children in 13 countries.[14] Moreover, Telefónica collaborates with several governments in Latin America to favour the digital inclusion of rural or isolated communities. The program Intégrame, a public-private partnership to provide phone services to 62.300 people in Peru received the recognition of the World Business and Development Awards Panel in 2008, which awards the companies that contribute the most to the Millennium Goals of the United Nations.[14, 128]

In 2009, the Asociación Telefónica Ayuda a Minusválidos (for disabled people) gave grants valued at more than € 6 million. Besides, Telefónica grants the Telefónica Ability Awards every year to publicly recognise those companies or institutions developing sustainable business models for the inclusion of disabled people.[85]

Telefónica also has a clear vision on the role of ICT as a tool for the innovation and modernisation of health systems (and as a mean to guarantee their sustainability) and has proposed the development of public-private partnerships to propose a set of measures. Examples of Telefónica's activities in this field are the development of appointments' management systems (e.g. for mammographies) or for controlling patients while being at home.[85]

However, other organisations have a more critical view on these social initiatives and especially on public-private partnerships that, with public resources, contribute to enlarging or creating new markets. As the director for Corporate Responsibility and Institutional Relations of Telefónica Colombia puts it "we started with the identification of expectations from disabled people and, at this moment, we have a communication system for the deaf that is another business".[14]
As indicated in its CSR report in 2009 "Given the social impact of these solutions, one of the key levers is the responsiveness and commitment of Public Administrations that not only provide regulatory support for such initiatives but also contribute to financing public-private partnerships".[85]

No major issues have been found regarding children protection (and access to contents for adults) despite the company recognises that these systems are more advanced in Europe and still on "verification phase" in Latin America. With regard to Privacy and Data management issues, and despite having a project on Corporate Policy for Personal Data Protection approved in 2008, the monetary value of fines for not complying with data privacy rules in 2009 increased to € 3.8 million (almost 4 times more than in 2008). [85]

E. Environmental impact

Main environmental impacts of a company like Telefónica are electricity consumption, radioelectric and acoustic emissions from its facilities and their visual impact.

Telefónica executed 979 environmental impact assessments and invested more than € 4 million in adapting its facilities to prevent possible environmental impacts derived from its activity. Moreover, the company took 16.884 measures of its base stations' radioelectric emissions that confirmed that all of them are within the legal limits. Finally, it took 1.273 measures of the acoustic levels and invested € 1.3 million to reduce its impact. [85]

6.4.4 BANCO SANTANDER

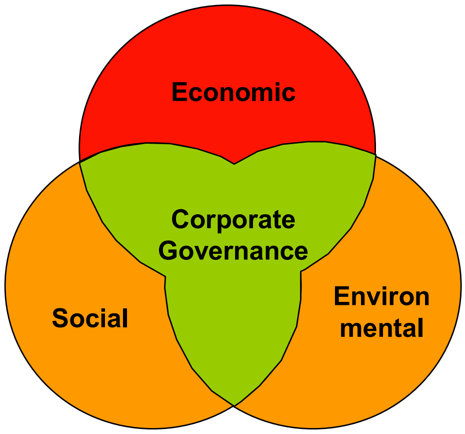


Figure 11: Santander - Graphical visualisation of discrepancies

A. Principles, signed agreements and standards, stock market indexes and awards [92, 101]

- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- Equator Principles (EP)
- Wolfsberg Group (WP)
- Global Reporting Initiative (GRI)
- Carbon Disclosure Project (CDP)

These initiatives are voluntary or their fulfilment is (almost) not externally verified (e.g. UNEPFI, UNPRI). Within the financial sector, these initiatives rarely focus on banks' financing operations.[101] The SANTANDER has neither signed the Carbon Principles, the Climate Principles nor the Extractive Industries Transparency Initiative, all relevant to the financial sector.[26] The Santander is included in indexes such as DJSI,[16] the FTSE4Good and other socially responsible indexes such as ASPI Eurozone o Ethibel Excellence Indexes.[17] Over the last years, Banco Real in Brazil (Grupo Santander Brasil) ha been recognized as the most sustainable bank in the world.[92]

B. Corporate Governance

A study on Good Corporate Governance of the companies included in the IBEX-35 revealed that SANTANDER complies with 52 of the 58 recommendations included in the Unified Good Governance Code[8], partially complies with 1 and explains non-compliance with 5.[102] Santander does not submit its remuneration scheme to advisory voting by the general shareholder assembly.[92] Bank's internal rule authorise participation in shareholder's meetings to owners of at least a share.[92]

The average remuneration of the members of the board in 2009 was € 3.508.950 (as compared to an average of € 632.410 in the IBEX-35). In the case of executive members, the average remuneration reached € 5.855.670. In 2009, SANTANDER distributed 99% of its profits as dividends to its shareholders, a substantially higher proportion compared to the average value in other IBEX-35 companies.[102] Its Board of Directors consists of 19 members and there are 29 people with golden parachutes in their contracts.[102]

C. Economic impact

The economic value generated in 2009 was € 40.575 million, distributing € 4.122 million in dividends. The bank employs 170.000 professionals worldwide. Taxes over profits were € 1.520 million in 2009 [92] and the bank managed € 1,110.5 billion in assets.[26]

According to the bank, it maintains stable relationships with its suppliers based on ethics, transparency and mutual respect. Suppliers formally commit to comply with the 10 principles included in the UN Global Compact related to human rights, labour conditions, environment protection and the fight against corruption. 95% of suppliers are local.[92]

With regard to the regulation of the financial system, the Santander establishes its position on its Sustainability Report 2009.[92] In spite of having an Office for its representation in Brussels fully dedicated to lobbying, as of November 2010, the bank has neither declared expenditures in lobbying activities in the EU (though it is registered in the European Parliament and has two ID cards to access its facilities) nor in the United States (where declaration is compulsory). [64]

In 2008, its profits in tax heavens increased by 25% and reached € 248 million (2.8% of its € 8.876 million in profits). In 2009, Banco Santander had more than 50 daughter companies in *offshore centres*. [19, 95] However, on its 2009 reports the bank reduced this number down to 23, considering that once all liquidation processes would have been completed its number of daughter companies in offshore centres would fall down to 14.[130] Though the bank claims it is striving for reducing its presence in offshore centres since 2005, its *offshore* profits have not decreased. On the contrary, they increase as the bank increases its presence as a consequence of its acquisition of foreign banks. [95] According to some sources, Santander (but also BBVA) avoided € 58 million in tax payments by paying the dividends of its shares in Telefónica through (legal) operations through companies located in tax heavens.[106]

The Santander has in place a Global Policy to Prevent Money Laundering that covers half of the issues that Banktrack considers important regarding corruption.[101] The case of Obiang and the Riggs Bank shows evidence of the deviation of capital from the corrupt government of Guinea Equatorial to one account of Banco Santander.[91] According to Global Witness, Banco Santander “hides behind the banking secret laws” to avoid revealing the owners of the accounts that received money transfers valued at US$ 26.5 million to the account of the company Kalunga Co. SA between June 2000 and December 2003.[29]

In the case of the “clips hipotecarios”, Banco Santander received the first judicial sentence against a bank in 2009. The sentence states that “the information provided to the customer ought to be clear, correct, precise, adequate and timely as to avoid its incorrect interpretation while highlighting the risks entailed in each operation, in such a way that the customer precisely understands the effects of the operation it signs”. [131] Clips hipotecarios are an insurance-like product against raises on interest rates on mortgages; thus, if rates increase beyond a certain threshold the customer compensates the additional mortgage costs thanks to the benefits derived from this insurance. If rates fall the customer loses money while paying the same for its mortgage until its next update.

Three lawyer offices presented a lawsuit in the United States against the Santander because of loses suffered by its clients in the Madoff case. The lawsuit claims that Santander infringed the US Stock Market legislation when it gave misleading and significantly false statements about its audits and the supervision of Madoff.[132] The day after, in spite of having rejected this solution before, Santander decided to return the losses to their customers.[142] Until today, three lawsuits have been admitted against Santander for not executing selling orders before the scandal exploded.[131]

Regarding the case Banif Inmobiliario, a court in Madrid ordered the real state management firm of the bank to reveal all the investment fund’s participants that had left the fund (which accounted for 16,90% of the assets) before reimbursements were frozen in February 2009. The judge adopted this decision after considering the complaint from the Activa association, which accuses the bank, among other crimes, of swindling and scheming to alter the price of the things.[133]

D. Social impact

Banco Santander promotes the development of its employees and has deployed very complete programmes covering a large variety of issues. Among others, these include training and professional development, remuneration and promotion policies, conciliation of the working life or safety and health at work. [92] In 2009, Santander invested € 126 million in Corporate Social Responsibility projects, of which 69% was invested in universities, 29% in social and cultural actions and 1% in environment and other areas.[92] The two main pillars for the bank's social action are services for groups or collectives at risk of social exclusion and (university) education.

Three services stand out in the portfolio offered by the bank: microcredits, products for students (e.g. financing schemes for training programmes and international mobility or university smart cards) and international money transfer services to more than 29 countries.[92] The fact that the university smart card can be (optionally) linked to banking services has been criticised by several organisations that consider them a mechanism for capturing young customers from the very beginning of their financial life. [14] In fact, the slogan of the program "Santander eres tú" (You are Santander) is "contributing to the *bancarización*[xiii] and to the cultural, social and educational development of the communities". [92]

With regard to (university) education, Santander invested € 88 million in 2009 and has more than 800 collaboration and agreements to support research at Universities. Besides, more than 1.100 universities from 23 countries are members of Universia, the biggest Spanish-speaking university collaboration network in the world. Grupo Santander keeps promoting the creation of Chairs specialised on research and teaching (122 nowadays).[92] From another point of view, Sandander expansion policy in Latin America is provoking a progressive transfer of competencies from the public to the private domain. For example, the Universia Network is the only network of University directors in Chile.[14]

The bank also executes social initiatives contributing to the development of communities. These are local projects that have the objective of satisfying the very basic needs of the most disadvantaged and vulnerable groups. The bank fosters the participation of its employees and puts at their disposal between 2 and 4 hours per month to be spent on volunteering activities during their working hours.[92] Besides, Banco Santander commercialises and manages investment funds that have been labelled as Socially Responsible Investments.

Much more controversy exists around the relationship of the bank with the military industry. Banco Santander maintains a commercial relationship with EADS and owns shares of the company valued at US$ 2.540.000. EADS participates in the production of nuclear weapons and, through its daughter company Astrium, produces the nuclear missile M51. Another nuclear missile, named ASMPA, is produced by its company MBDA. In 2008, Santander had shares in Spanish military industries such as AMPER and Expal [134] or INDRA and the MAXAM group through Explosivos Alaveses, S.A. that in the past produced anti-personnel mines and cluster bombs.

Justicia i Pau, SETEM and the Observatorio de la Deuda en la Globalización run the campaign and the website "Banco Santander sin armas" (Santander without weapons) to raise awareness and denounce the relation of the bank with the military industry or with other industries that violate human rights. Before the campaign went public and once the bank had been informed, the web suffered several attacks from hackers. In parallel, Banco Santander denounced that, through www.bancosantadersinsarmas.org, *phishing* was being made (this is, clients' codes were being stolen to enter into their bank accounts). The owners of the server hosting this website blocked it

[xiii] Process by which people establishes stable relationships with banks or other financial institutions.

and made it inaccessible. Members of the campaign managed to convince them that the bank's accusation was false and the website was brought back online until today.[93]

The bank also has more than US$ 100 million invested in companies that violate human rights: Total (extracting gas from Myanmar's coast, a dictatorial state that systematically violates human rights), Wal-Mart (violating labour rights), Vedanta Resources (mining company that illegally felled hectares of forest at Niyamgiri – India - and has built without permits an aluminium foundry, polluting the river and groundwater) or Freeport McMoran (managing Grasberg's mine in Indonesia, the most polluting in the world and that has been accused of hiring soldiers and policemen to assassinate and torture indigenous peoples living in the vicinity of the mine). [135]

E. Environmental impact

Though the bank reports its progress on the "integration of social and environmental issues in its risk analysis and decision-making processes for financial operations", [92] the bank continues being accused of financing controversial projects in the Chilean Patagonia (HydroAsén) and in Brazil (Rio Madeira). As the bank does not directly finance these projects using the formula Project-finance, imputing a direct responsibility to the bank by the effects they produce is complex. Nevertheless, according to SETEM, the bank can hardly deny knowing about the use of its money when small customers are requested to provide all kinds of information before getting a loan.[90]

Banco Santander finances Endesa Chile y Colbún, co-owners of HidroAysén, that intends to build 5 hydroelectric power plants in the Chilean region of Aysén that threaten the Chilean Patagonia and that could suppose the flooding of 5.910 hectares of an area rich on unique ecosystems.[18] Since 2006, the bank has participated in syndicated loans valued at more than US$ 600 million and, in 2007 and 2008 supported the emission of bonds from Colbún.[91]

The bank also financed the project in the Río Madeira (Brazil),[14] consisting of the construction of a hydroelectrical facility that also intends to create an inland waterway for goods' transport between Brazil and Bolivia. It consists on 4 dams and a transmission line of 2.450 Km. [90] Its negative impacts include the relocation of 5.000 families, impacts on health and the quality of drinking water, loses on biodiversity and food sovereignty or loss of historical and cultural assets (archaeological remains). [89] Moreover, the implementation of the project violates several principles and articles on international declarations and/or instruments that have been signed, ratified and/or supported by the governments of Brazil and Bolivia.[90]

In 2009 the Bank announced that it would not participate in the second phase of the project and that it sold its shares in the consortium that had been created to finance the project (10%; US$ 7.800 million). [89, 136] However, as the bank continues to lead and coordinate the group of banks financing the project, it still holds the responsibility in the construction of Santo Antônio. In 2010, its responsibility was denounced again before the People's Permanent Tribunal.[90]

B. Summary table: Key findings

This section summarises the findings of the analysis of the 20 companies. It distinguishes between those that affect the majority of the sectors and those that are only relevant to specific sectors.

<table>
<tr><th>General Aspects</th><th>Sectoral Aspects</th></tr>
<tr><td>

There are little discrepancies in the area of Corporate Governance (though there is room for improvement).
The economic impact of these corporations is huge (turnover, jobs, taxes, etc.), though all Spanish ones except Caja Salamanca have daughter companies located in tax heavens.
These corporations spent important efforts on lobbying to influence relevant legislation.
In many cases these corporations claim to favour local suppliers, though many are ambiguous in the degree to which they require suppliers to abide to human rights.
All these corporations execute social actions (e.g. education-related projects, electrification of rural areas, etc.) and extensively advertise them.
The majority of employees do enjoy a good working environment where they can grow.
Complaints concentrate in Latin America and Asia:

Practices against trade unions, massive lay-offs and fostering outsourcing and subcontracting.
Environmental and social impacts of large energy-related projects.

Cases of conflict appear to be small as compared to the size of these corporations.
The Spanish corporations that have been analysed have benefited from privatisation processes in Latin America and count on the support from the Spanish government.

</td><td>

Banks in this analysis are included in stock market indexes labelled as socially responsible. However, all these financial institutions (except Caja Salamanca) participate in financing the military industry and/or hydroelectric projects and oil/gas pipelines with large environmental and social impacts.
The energy sector has an immense potential to contribute to the economic and social development while simultaneously causing a devastating environmental and social impact.
There a huge controversy around nuclear energy, oil/gas, biofuels or combined cycle power plants.
Biofuels entail the risk of reducing the land dedicated to food crops and of provoking deforestation of new areas. Those of 1st generation use raw materials originally used for human nutrition.
Genetically modified crops can be both used to produce food and biofuels. There is an intense debate and huge pressure from the industry.
Labelling of food products (probiotics[xiv] or those produced from GMOs) and marketing (e.g. of probiotic products or of products for infant feeding) are sensitive issues.
In the pharmaceutical sector the most controversial topics are the access to drugs (in developing countries) and patents' protection of traditional knowledge (biopiracy).

</td></tr>
</table>

[xiv] The World Health Organization probiotics definition is "live microorganisms which when administered in adequate amounts confer a health benefit on the host." [137]

7 Conclusions and recommendations

The *retail* market for SRI funds in Spain evolves slowly and is still small. However, more and more pension funds integrate different SRI aspects into the management of their investment portfolios. Moreover, SRI's strategies have started to increase their sophistication. From the exclusion strategies that fully dominated the first years (and that still account for 50% in Spain), nowadays there are more and more entities adopting complex strategies such as the integration or the "*best-in-class*".[11] They are moving from investing in "any company" (excluding certain sectors) to investing in "those considered the best companies".

From the SRI's point of view this progress is positive. Assessment methodologies incorporate new dimensions (social, environmental, corporate governance) and, once established, could be adopted by any investment manager favouring the widespread implementation of integration strategies in pension funds. Nevertheless, this progress is not free from problems:

- There are important contradictions between the claims of the companies receiving the biggest stake of SRI's investment in Spain and the complaints of other relevant organisations. What had already been demonstrated in the United States [4] and the United Kingdom[5] is also true in Spain: the assets receiving SRI investment are not (too) different from those receiving investment from conventional investment funds.

- The social economy is not receiving investments from socially responsible investment funds. In spite of having a legal framework that enables the possibility of investing in non-publicly traded assets, SRI funds are not taking advantage of this opportunity.

Next, these two aspects are developed and conclusions and recommendations for the advancement of SRI in Spain are drawn.

Contradiction in companies' assessment
Two main conclusions can be drawn regarding the contradictions that have been found for many of the companies analysed in this study: there are different concepts about what "being socially responsible" means and, in the present conditions, it becomes very complex to assess all different dimensions of a company.

As this study has shown, there are different concepts about what "being socially responsible" really is. Already in 1970, Milton Friedman made his opinion crystal clear: "The Social Responsibility of Business is to Increase its Profits". [138] Since then, there has been an increasingly intense debate on whether "what's best for the company is best for the world" or "what's best for the world is best for the company". [4] Thus, despite the fact that many executives consider sustainability as a strategic priority, on their day-to-day activities they face the dilemma between long term sustainability and the short term pressures on their businesses.[139]

On the other hand, the evaluation of new dimensions of a company adds (much) complexity to assets' assessment processes. A study has identified more than 100 different methodologies, some including up to 700 indicators.[6] The consolidation of all these sets of indicators into a (meaningful yet) simple rating is even more complex.

Table 6 summarises the specific causes that contribute to the contradictions identified along this report.

Table 6: Specific causes contributing to contradictions

¿What does socially responsible mean?	Complexity of analysis
• Corporations' social actions are much more visible (marketing/advertising) than their irresponsible behaviours. • Many corporations have established specific institutions that execute their social activities without changing their core activities. • The fact that a company is better than another company does not necessarily mean that it can be considered socially responsible. • There are energy sources (nuclear) and/or technologies (genetically modified organisms) for which there is no consensus. • Fulfilling existing legislation does not imply that all individuals would consider certain behaviours as socially responsible (e. g. tax heavens).	• The main source of data and information is the company itself, usually by means of questionnaires or its own reports. • Reports supplied by corporations are ambiguous and difficult to compare. Though there are standards, these are voluntary and there is little or no supervision about companies complying with them. • In the best case scenario, company's information is "verified" (which does not imply any responsibility for those verifying it). • It is not clear how to resolve those cases where there is a contradiction between different sources (company, people affected, external organisations, official institutions or courts).

Implications for financing the social economy

Due to the nature of the social economy there are many parallelisms with (some of) the investment policies of SRI funds. Both go beyond the purely economic dimensions to also cover the social and environmental dimensions. Thus, investments in companies from the social economy would be consistent with the investment policy of these funds.

> The social economy considers the economy as a mean – and not as an end – at the service of the personal and collective development, as an instrument that contributes to improving the quality of people's lives as well as their social environment generating a set of social and cultural benefits that transcend the economic dimension and favour society as a whole.[140, 141]

Moreover, the possibility offered by the present legal framework to invest in non-publicly traded assets (up to 10% of the assets of the funds) perfectly matches with the present state of development of the social economy, characterised by numerous companies of small and medium capitalisation not listed in the stock market.

However, we have no record of any SRI fund commercialised in Spain that has made investments on companies belonging to the social economy. Moreover, we have no record of any of them having invested in non-listed assets.

The investment policy of the SRI funds is often a limiting factor because it usually focuses investment on companies with a large capitalisation. Obviously, the universe of eligible companies is drastically reduced and virtually excludes the social economy.

On the other hand, some additional aspects could hinder investment on the social economy. In particular, the cost of assets' analysis is bigger as compared to the potential investment that could be realized. The reason is twofold:

- Assets are less transparent (there is less information available and there are less legal requirements). The information supplied by companies themselves is one of the main sources of information for *rating* agencies.

- The size of investments is limited to avoid taking control of assets' management. The fund can only invest between 2% and 4% of its resources in one asset or in assets of the same group respectively. This increases portfolios' fragmentation and the number of assets to be analysed (using analysis methodologies completely different to those that fund managers are used to).

In order to compensate for bigger costs of analysis the risk-reward binomial must continue to be attractive. If we assume that financial risk is bigger for smaller companies, the profitability of investments in non-publicly listed companies should be significantly bigger than for companies listed on the stock market. Though this may not be easy to achieve from a purely economical point of view, it is feasible whenever the social and environmental dimensions are integrated into the valorisation.

In any case, there are investors that, as they do with other financial products offered by ethical banks, may accept a reduction in the financial return of their investments provided that a more positive impact is achieved in the social and/or environmental dimensions.

Nowadays, due to funds' investment policies, it is unlikely that these could have a significant impact on the social economy. Nonetheless, this situation could change in the future. It is possible that these funds invest on venture capital funds (maybe specialised on the social economy) or, when the size of the companies of the social economy allows for it, on funds focused on companies with a small capitalisation (*small caps*). This may require a higher ambition from companies in the social economy, specific training for funds' managers and a review of the assessment methodologies to adequate them to the size of the companies and reduce the cost of the analysis.

Recommendations

Firstly, as there are many issues that are not good or bad by its nature and do depend on individuals' preferences, it is essential to improve transparency about the criteria being used, the way they are measured and their weight on the final rating.

Secondly, it is essential that external organisations audit (and not just verify) the information provided by companies in their reports. Moreover, reporting standards must be compulsory and not voluntary to facilitate the work of rating agencies and any individual or institutional investor. These standards must specifically define the information to be provided as well as the way to provide it to ensure that reports are both homogenous and comparable.

Finally, in order to facilitate a positive impact of socially responsible investments on the social economy, it seems reasonable to explore the possibility of creating investment funds focused on small caps, either in its early growth or in its consolidation phases. This analysis should also verify the match between this kind of fund and the actual needs and expectations of the social economy.

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10 Appendixes

10.1 Methodology and approaches

The approach for the execution of this study can be divided into two main phases: (**1**) identification and selection of investment funds and assets; (**2**) analysis of assets and funds. Figure 8 shows the main activities that have been carried out during the execution of this study.

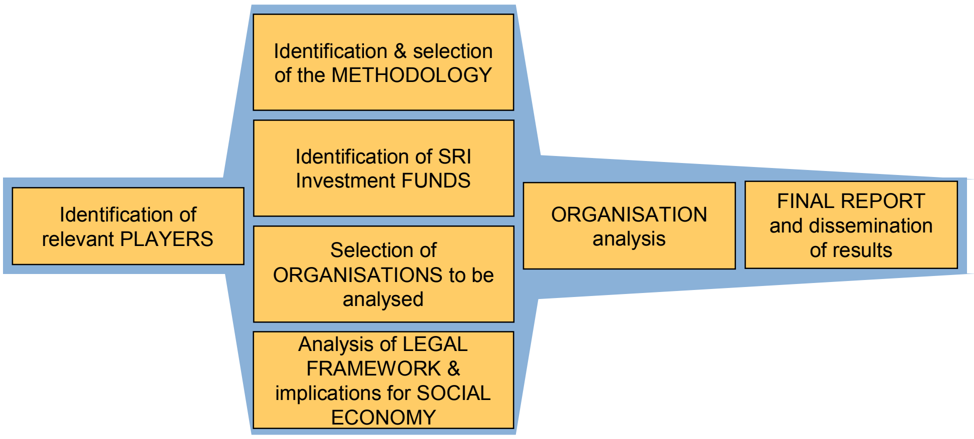

Figure 12: Approach for the execution of this study

10.1.1 Methodology for selecting assets/organisations

Figure 9 visualises the steps and criteria that have been considered to get to the final sample of organisations included in this study. More details about each step are given next.

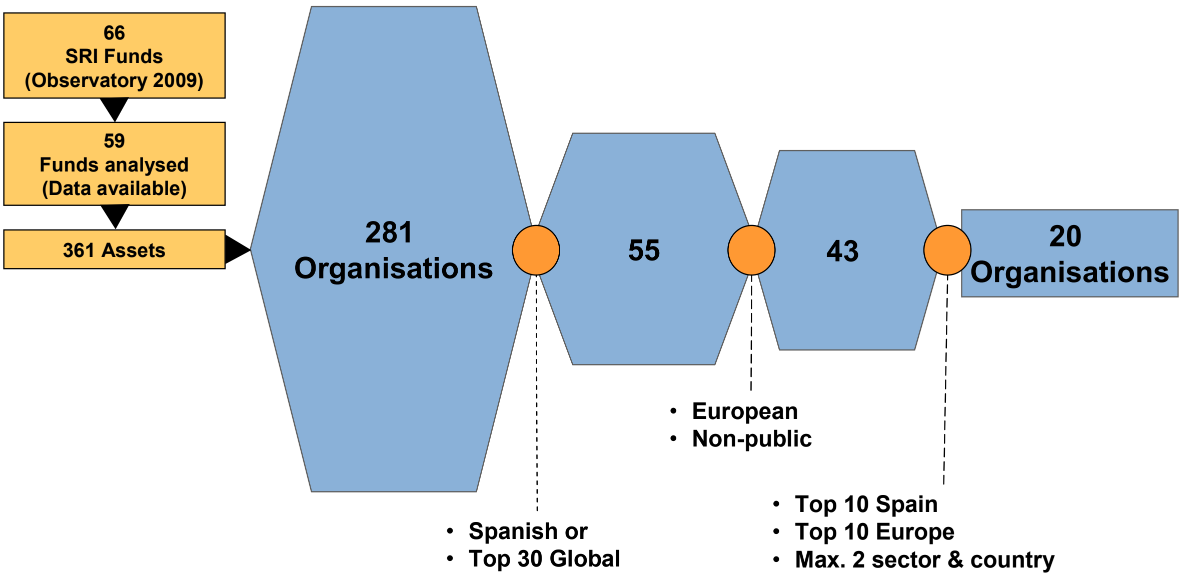

Figure 13: Process for selecting assets/organisations

At the end of this section there is a description of the final sample, indicating both the names and main characteristics of selected organisations. Finally, there is also the list of Spanish organisations that have been left out of the final selection and analysis.

Selection of SRI funds commercialised in Spain
The starting point for the identification of assets has been the list of 66 SRI funds included in the Observatorio 2009 de la Inversión Socialmente Responsable elaborated by ESADE. Due to the banking and financial sector restructuring (Mergers & Acquisitions) and to the normal functioning of the sector, some of the funds have been liquidated whereas others have either changed their names, have been merged or are now managed by another management firm. As a result, the final sample has been reduced to 59 SRI funds traded in Spain, of which 15 are managed by firms located in Spain. The volume of these funds (in thousands of €) is given as provided by the Observatorio 2009.

Identification of assets and organisations
For the purpose of this study it has been considered sufficient to identify the top 10 assets of every fund as indicated in the online tool of www.morningstar.es. This identification was made between September the 21st and October the 6th 2010. Funds portfolio may have changed since then. As funds were of different kind (fixed and variable income, mixed) they also differ on the kind of assets they invest in: public debt, private bonds, shares/equity or other financial instruments.

The result of this analysis is a list of 361 different assets (e. g. different debt emissions with different interest rate count as different assets) corresponding to 281 different organisations.

Organisations' pre-selection
A pre-selection of organisations was made based on two criteria:
- All Spanish organisations were included (30 organisations)
- Top 30 organisations in terms of investment received from the SRI funds (regardless of their location)

As some of the Spanish organisations were also part of the Top-30 receiving bigger investments the final sample included 55 organisations. Of these 5 were governments or public organisations and another 7 had their headquarters outside Europe (1 in China, 1 in Canada and 5 in the United States), thus reducing the final sample to 43 organisations.

Assets identification: selection of the final sample
The final selection has been made based on 3 criteria:

- TOP-10 Spanish companies in terms of total investment volume
- TOP-10 foreign companies in terms of investment volume and provided that they have been included in at least two SRI funds.
- To ensure a balanced sample, the sample includes up to two companies from the same sector and country.

As a result of applying the first criterion, the sample excludes several banks and saving organisations (there are already 2 of each in the samples) or organisations with investment levels much lower than the other. The application of the second criterion only excludes two companies (Henkel AG y Linde AG) despite the fact that they double the investment received by Novartis AG. These two companies appear in one fund each whereas Novartis AG appears in 8 funds.

Remark: Caja de Ahorros y Monte de Piedad has been counted as Caja Madrid

10.1.2 Methodology for organisations' analysis

In order to have a structured and consistent analysis of the sample of organisations and not to forget relevant issues, a list of criteria considered in each of the following dimensions was prepared: economic, social, environmental and corporate governance.

Once the criteria to be considered were established, the search for information was made using secondary sources. This is, through people and/or organisations that had already investigated these organisations. We have not conducted proprietary research nor held interviews with representatives from these companies.

The main sources of information have been sustainability, corporate social responsibility or other reports prepared by the companies themselves, reports and other publications prepared by other organisations (e.g. NGOs, associations, foundations, etc.) and news published in newspapers or magazines.

Moreover, several (phone) interviews have been held with the following organisations: Amigos de la Tierra (Friends of Earth), Greenpeace España, Observatorio de las Multinacionales en America Latina., SETEM, Observatori del Deute i la Globalització, Centre Delas and Escola Cultura de Pau.

10.1.3 Graphical visualisation of discrepancies on detailed company profiles

A graphical visualisation of discrepancies has been included on each of the 4 companies' detailed profile. It shows the areas (or dimensions) where we have considered that more discrepancies exist between company claims and other organisations' complaints. Figure 14 shows the meaning of each of the colours used.

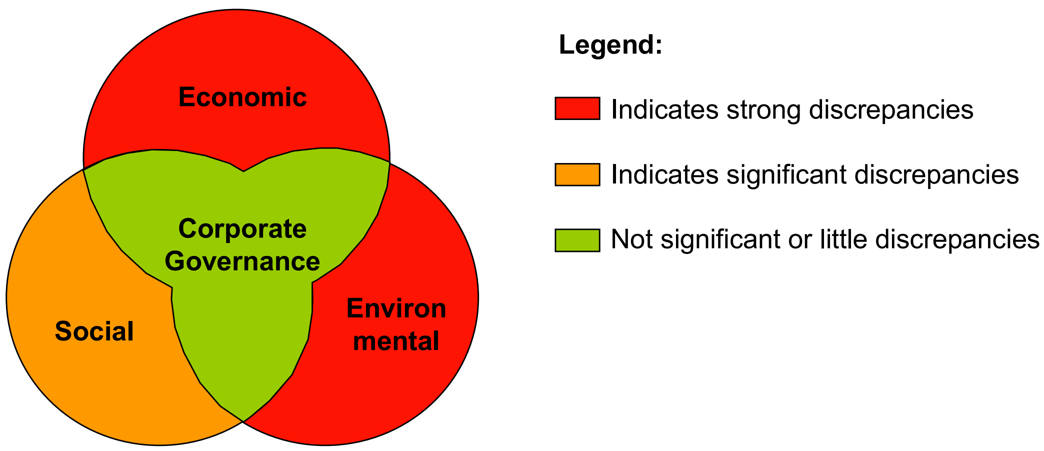

Figure 14: Graphical visualisation of discrepancies (example)

The allocation of colours to each of the 4 dimensions does not respond to an explicit methodology. It exclusively responds to a subjective impression of the author of this publication with the only purpose of highlighting controversial areas. On the same way, the fact that no significant discrepancies have been identified does not imply that they do not exist or that the companies have achieved excellence in these areas.

10.2 Lists of Organisations (SRI funds commercialised in Spain)

Table 7: Organisations with bigger investment volumes

ORGANISATION	COUNTRY	TOTAL (k €)	% over Total	In # Funds	SECTOR
Germany (Federal Republic Of)	Germany	130.461	2,42%	27	Public Debt
BBVA S.A.	Spain	128.977	2,39%	6	Financial Services
France(Govt Of)	France	128.732	2,38%	22	Public Debt
Caja De Ahorros Y Monte De Piedad	Spain	60.106	1,11%	1	Financial Services
Caja De Madrid	Spain	31.392	0,58%	2	Financial Services
Belgium(Kingdom)	Belgium	31.041	0,57%	5	Public Debt
HSBC Holdings PLC	UK	29.608	0,55%	14	Financial Services
Caja De Ahorros De Salamanca	Spain	29.361	0,54%	1	Financial Services
Austria(Rep Of)	Austria	20.404	0,38%	6	Public Debt
BBK	Spain	20.056	0,37%	1	Financial Services
United Utilities Group PLC	UK	19.512	0,36%	2	Public Services
Iberdrola	Spain	18.753	0,35%	7	Public Services
Royal Dutch Shell PLC	UK	17.790	0,33%	11	Energy
Snam Rete Gas	Italy	17.696	0,33%	1	Public Services
Trina Solar Limited	China	15.811	0,29%	2	Hardware
United Natural Foods, Inc.	U.S.A	15.738	0,29%	1	Services to consumers
Whole Foods Market, Inc.	U.S.A	15.512	0,29%	1	Services to consumers
Greece(Rep Of)	Greece	15.228	0,28%	3	Public Debt
Cred Suisse	Switzerland	15.093	0,28%	4	Financial Services
Henkel AG & Co KGaA	Germany	14.759	0,27%	1	Consumer goods

Table 8: Organisations with more appearances in SRI funds

ORGANISATIONS	COUNTRY	TOTAL (k €)	% over Total	In # funds	SECTOR
Germany (Federal Republic Of)	Germany	130.461	2,42%	27	Public Debt
France(Govt Of)	France	128.732	2,38%	22	Public Debt
HSBC Holdings PLC	UK	29.608	0,55%	14	Financial Services
Royal Dutch Shell PLC	UK	17.790	0,33%	11	Energy
Nestle SA	Switzerland	12.186	0,23%	11	Consumer goods
Vodafone Group PLC	UK	13.240	0,25%	10	Telecommunications
Novartis AG	Switzerland	6.366	0,12%	8	Health
Banco Santander S.A.	Spain	4.332	0,08%	8	Financial Services
Iberdrola	Spain	18.753	0,35%	7	Public Services
Telefonica, S.A.	Spain	5.360	0,10%	7	Telecommunications
BBVA S.A.	Spain	128.977	2,39%	6	Financial Services
Austria(Rep Of)	Austria	20.404	0,38%	6	Public Debt
BG Group PLC	UK	8.667	0,16%	6	Energy
Apple, Inc.	U.S.A.	5.435	0,10%	6	Hardware
Total SA	France	4.424	0,08%	6	Energy
Belgium(Kingdom)	Belgium	31.041	0,57%	5	Public Debt
Cisco Systems, Inc.	U.S.A.	6.759	0,13%	5	Hardware
Procter & Gamble Company	U.S.A.	5.644	0,10%	5	Consumer goods
Finland(Rep Of)	Finland	3.858	0,07%	5	Public Debt
E.ON Aktiengesellschaft	Germany	1.408	0,03%	5	Public Services

Table 9: List of Spanish organisations excluded from the final sample

ORGANISATION	COUNTRY	TOTAL (k €)	In # funds	Category
BBK	Spain	20.056	1	Savings bank
Union Fenosa Preferentes	Spain	482	1	Energy & Water/Electric Energy
Catalunya(Generali	Spain	231	2	Regional Government
Spain(Kingdom Of)	Spain	224	1	National Government
RTE EDF	Spain	210	1	Energy / Public Services
Endesa S.A.	Spain	208	1	Energy / Public Services
Bankinter S.A.	Spain	205	1	National Bank
ICO	Spain	148	1	Public Organisation
Amper, S.A.	Spain	140	1	Software & Services
Andalucia Junta De	Spain	121	1	Regional Government
Caixa D'Estalvis	Spain	118	1	Savings Bank
Comunidad De Madrid	Spain	89	1	Regional Government
Repsol YPF SA	Spain	11	1	Gas & Oil
Inditex	Spain	8	1	Apparel
Criteria Caixacorp SA	Spain	8	1	Diversified Investments
Banco de Sabadell S.A.	Spain	8	1	National Bank
Gas Natural Sdg, S.A.	Spain	7	1	Gas / Public Services
Ferrovial SA	Spain	7	1	Transport Infrastructure
Caja de Ahorros del Mediterráneo	Spain	2	4	Savings Bank

10.3 Acronyms

ASPI Indexes	Advanced Sustainable Performance Indices
CII	Collective Investment Institutions
CNMV	Comisión Nacional del Mercado de Valores
CSR	Corporate Social Responsibility
DJSI Indexes	Dow Jones Sustainability Index
EU	European Union
EC	European Commission
FAO	Food and Agriculture Organisation of the United Nations
FTSE Indexes	Financial Times Stock Exchange Indexes
GMO	Genetically Modified Organisms
GRI	Global Reporting Initiative
IBEX-35	Iberia Index. Benchmark stock market index of the Bolsa de Madrid
ICSID/CIADI	International Centre for Settlement of Investment Disputes
ILO	International Labour Organisation
ISIN	International Securities Identification Numbering System
SEC	United States Securities & Exchange Commission
SRI	Socially Responsible Investment
UNEP FI	United Nations Environment Programme Finance Initiative
UN Global Compact	United Nations Global Compact
UNPRI	Principles for Responsible Investment
WHO	World Health Organisation

10.4 List of tables and figures