SEDLEX

# Sustainable Economies Due diLigence: good EXamples and the role of social dialogue

COUNTRY BACKGROUND REPORT

# SPAIN

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# Contents

**01 | National context** . . . . . 6

1.1 Corporate sustainability regulatory frameworks in the country . . . . . 7

1.2 Social dialogue . . . . . 11

1.2.1 Overview of the social dialogue framework in the country . . . . . 11

1.3 Social economy organisations . . . . . 12

**02 | Overview of three sectors: financial services, wholesale and retail trade, agriculture in Spain** . . . 16

2.1 Introduction . . . . . 17

2.2 Financial services . . . . . 17

2.2.1 Overview . . . . . 17

2.2.2 Sectoral social dialogue . . . . . 18

2.2.3 Largest companies within the sector . . . . . 18

2.2.4 Social and environmental sectoral challenges and their relation with corporate sustainability . . . . . 18

2.3 Wholesale and retail trade . . . . 19

2.3.1 Overview . . . . 19

2.3.2 Sectoral social dialogue . . . . 20

2.3.3 Largest companies within the sector . . . . 20

2.3.4 Social and environmental sectoral challenges and their relation with corporate sustainability . . . . 20

2.4 Agriculture . . . . 21

2.4.1 Overview . . . . 21

2.4.2 Sectoral social dialogue . . . . 21

2.4.3 Largest companies within the sector . . . . 22

2.4.4 Social and environmental sectoral challenges and their relation with corporate sustainability . . . . 23

**Conclusion** . . . . 24

**Resources** . . . . 26

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# 01 National context

### 1.1 CORPORATE SUSTAINABILITY REGULATORY FRAMEWORKS IN THE COUNTRY

The trajectory of corporate sustainability in Spain has mirrored its evolution in other European Union member states, and experienced a notable acceleration following the 2008 financial crisis. However, this development has primarily focused on voluntary and declarative initiatives, with limited and often scattered efforts driven by social and political actors advocating more stringent regulatory measures.

While several initiatives have been implemented to address reporting compliance in social and environmental matters, Spain lacks comprehensive legislation mandating due diligence with an international scope. For instance, the country has championed gender equality initiatives, resulting in increased legislation requiring companies to take assertive action. Such regulations may apply to intra-company issues in multinational corporations, including staff members in fully controlled branches or companies abroad. However, they fall short of addressing international value chains.

Similarly, initiatives related to environmental risks and duties, such as waste management and circular economy strategies, have been introduced. Yet, the implications for international value chains are basically non-existent.

It is noteworthy that some developments in Spain have been influenced by international legislation, such as the Accord on Fire and Building Safety in Bangladesh (linked to the Rana Plaza disaster), which affected Spanish companies with suppliers in that country. However, these instances represent isolated examples rather than a systemic approach to addressing international sustainability challenges.

In recent years, the development of corporate sustainability in Spain has accelerated, following the changes in European Union directives and regulations.

In May 2024, a draft Sustainability Information Bill was presented to transpose the Corporate Sustainability Reporting Directive (CSRD) of 5 January 2023. However, the subsequent elections and the formation of a new government have delayed this transposition.

Meanwhile, the regulatory framework for corporate sustainability in Spain is primarily anchored in law 11/2018 on non-financial information and diversity (transposition of the NFDR into Spanish law) and the outdated 2014-2020 strategy on corporate social responsibility (CSR). The Ministry of Employment and Social Economy is currently preparing a revised CSR strategy to replace the outdated one.

Historically, CSR has been housed within the same ministry and state secretariat as the social economy. Since its introduction in 2004, CSR has been included in the same directorate-general as the social economy, often alongside self-employment. With the formation of the most recent government in November 2023, the social economy was elevated to a new state secretariat, while self-employment was assigned to the Employment State Secretariat.

However, environmental, social and governance (ESG) issues, including the transposition of the CSRD, are currently assigned to a different ministry, the Ministry of Economy, Commerce and Enterprise. In this sense, it is important to mention that ESG regulation can and should be considered as a key element of corporate sustainability, regarding not only the financial sector, but also other sectors, given the role of finance in all economic activity.

As signalled above, the outdated strategy for CSR 2014-2020 is to be replaced by a new one, which is being prepared by the SE and CSR DG.

The current framework could be briefly described as follows:

- Law 11/2018 on Non-Financial Information and Diversity is fundamental in the field of corporate sustainability in Spain. It requires companies of a certain size to publish information on environmental, social and governance (ESG) issues. It includes issues such as climate change, gender equality, anti-corruption and respect for human rights.
- The National Action Plan (NAP) on Business and Human Rights, adopted in 2017, is aligned with the United Nations Guiding Principles on Business and Human Rights. This plan sets out guidelines for Spanish companies, including multinationals, to respect human rights in their global operations. It promotes corporate responsibility in the protection of human rights, and establishes mechanisms to ensure that Spanish companies comply with these standards both in Spain and in their operations abroad. Interestingly, this plan was drafted by the Foreign Affairs Ministry. However, like most policies, it includes only awareness-raising and promotion measures.

Other relevant policies are:

- The Integrated National Energy and Climate Plan (PNIEC) 2021-2030: This plan is a key roadmap for the energy transition in Spain. It sets national targets for greenhouse gas emission reductions, renewable energy and energy efficiency. It guides companies in adopting sustainable energy and climate practices, aligning corporate efforts with national and international sustainability targets;
- The Spanish Circular Economy Strategy: This strategy seeks to transform the Spanish economy into a more sustainable and circular model. It promotes waste reduction, recycling, and the reuse of materials. It is a key document for companies seeking to align themselves with the principles of the circular economy, reducing their environmental footprint and optimising the use of resources. While the strategy primarily focuses on domestic implementation, it recognises the global nature of supply chains and the importance of international cooperation;
- The 2030 Agenda and the Sustainable Development Goals (SDGs): Although it is a global framework, Spain has adopted the 2030 Agenda and the SDGs as a central pillar of its sustainability policies. These goals cover a wide range of issues, from poverty reduction to climate action. It provides a reference framework for companies wishing to contribute to sustainability goals at global and national level;
- The Code of Good Governance for Listed Companies: This was first published in 2008 and has been

amended several times since then. The most recent amendments were made in 2023 to align the code with the European Union's Corporate Sustainability Reporting Directive (CSRD). This code is a reference framework for companies wishing to contribute to sustainability objectives at the global and national levels. It was published by the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores* or CNMV), and includes recommendations for listed companies on good corporate governance, including aspects related to sustainability.

However, national policy in this realm is not sufficiently assertive in promoting or regulating human rights. Thus, sustainability policies, and more specifically those addressing corporate behaviour, give insufficient weight to human rights:

"The February 2020 revision of the Spanish CNMV's Good Governance Code only mentions Human Rights once and in a very generic way in recommendation 55: 'That sustainability policies include a topic on respect for Human Rights'. But that is all, which gives you a message, as an indication of the minimal importance that is given to this issue."' (Sánchez-Ramos, Camacho-Ibáñez and Fernández-Fernández 2024)

Moreover, companies and regulatory/supervisory bodies have not succeeded in bringing in a change so that companies start considering human rights non-compliance as a risk: "European companies have internalised human rights as something cultural; it is basic, so there is no need to consider it as a risk in our environment." (Sánchez-Ramos, Camacho-Ibáñez and Fernández-Fernández 2024)

In the same direction (Carrasco, Márquez and Díaz 2019) signal that "The Spanish NAP requires greater coherence and precision to guide the actions and priorities of the public administration and economic actors in respecting human rights. (...) highlights the lack of actions to implement the second pillar of the Guiding Principles relating to the responsibility of companies to respect human rights. In other words, the Spanish NAP neither seeks nor specifies formulas to impose due diligence obligations on companies domiciled in its territory or under its jurisdiction".

Spanish regions have extensive competencies in employment, local economic development, and environment. Following a subsidiarity approach, regions can indeed legislate to complement national laws or go further than them. Some of them have drafted and implemented specific policies regarding corporate sustainability:

- Extremadura: was one of the first to pass a specific CSR law, law 15/2010, which establishes a general framework to promote social responsibility in Extremadura's business fabric;
- Basque Country: has developed a long-term CSR strategy and has a wide network of agents involved in this area;
- Catalonia: has promoted various initiatives to foster CSR, such as the National Pact for Industry and Sustainability;
- Andalusia: has developed a regional CSR strategy and has a law to promote entrepreneurship that includes aspects related to sustainability.

Besides those specific to CSR, there are other regional norms and policies fostering sustainability, mainly in relation to the circular economy or climate change. However, they do not include any measures regarding international value chains.

**Table 1. Regional regulations and policies**

| | |
|---|---|
| **Catalonia** | Law 16/2017 on Climate Change.<br>Sustainable Development Strategy of Catalonia. |
| **Basque Country** | Basque Country Climate Change Strategy – Klima 2050.<br>Law 4/2019 on Energy Sustainability. |
| **Andalusia** | Andalusian Strategy for Sustainable Development 2030.<br>Law 8/2018 on measures against climate change and for the transition towards a new energy model in Andalusia. |
| **Valencian Community** | Law 19/2018 on the acceleration of investments for priority projects (Law on Business Areas).<br>Valencian Climate Change and Energy Strategy 2030. |
| **Madrid region** | Environmental Sustainability Strategy of the Community of Madrid 2019-2030.<br>Circular Economy Promotion Plans. |
| **Galicia** | Galicia Circular Economy Strategy 2020-2030.<br>Environmental Quality Law of Galicia. |
| **Balearic Islands** | Law 10/2019 on climate change and energy transition.<br>Balearic Circular Economy Strategy. |

Besides these initiatives from public administrations, it is worth highlighting the role of non-governmental organisations (NGOs) such as SETEM and Oxfam Intermon (OI). For example, OI published a guide on how to involve stakeholders in the due diligence processes addressing human rights issues (Iglesias Márquez 2023). SETEM is a federation of regional and local NGOs that works to promote responsible consumption and denounce global injustices related to business practices. It focuses on issues such as working conditions in the textile industry, fair trade, and corporate responsibility in their supply chains. For example, SETEM is one of the most active organisations denouncing working conditions in Spanish multinationals like INDITEX both nationally and internationally. One of its active campaigns is “Clean Clothes,” an international initiative involving 14 EU countries aimed at improving the working conditions of workers in the global garment industry. The campaign’s goals include increasing wages, ensuring safe working environments, and promoting collective bargaining rights.

## 1.2 SOCIAL DIALOGUE

### 1.2.1 OVERVIEW OF THE SOCIAL DIALOGUE FRAMEWORK IN THE COUNTRY

Spain's industrial relations (IR) arrangements show the relevance of the four institutional pillars mentioned by Visser (2009): "[1] strong or reasonably established and publicly guaranteed trade unions; [2] a degree of solidarity wage setting based on coordination at the sectoral level or above; [3] a fairly generalised arrangement of information, consultation, and perhaps co-determination at the firm level based on the rights of workers and unions to be involved; [4] and routine participation in tripartite policy" (Sánchez-Ramos, Camacho-Ibáñez and Fernández-Fernández, 2024).

Spain has transformed itself since it transitioned to democracy. Initially, the government played a strong role in shaping labour relations. This influence lessened somewhat during the process of European integration, giving birth to a less state-driven regime but never to the point of becoming a liberal industrial relations regime such as those in Ireland or Malta (Visser 2009). It can be considered as a social dialogue system closer to those of social partnership countries such as Belgium, the Netherlands and Slovenia. Social dialogue has also expanded in scope. Originally focused on workplace issues, it now tackles broader economic and social challenges. This reflects a consensus on the value of collaboration between unions, employers and the government in complex situations.

However, Spain still leans towards a system where some voices are prioritised in policy-making, making it a "neo-corporatist" state.

The main features of traditional social dialogue can be summarised as follows:

- There is a high collective bargaining coverage (84.39% in 2024);
- Negotiations take place at national, industry and company levels, with a national agreement generally providing a framework for lower-level bargaining (known in Spanish as an AENC or Agreement for Employment and Collective Bargaining);
- Elected works councils are the main channel for workplace representation for employees – but they are mostly controlled by trade unions. They have information and consultation rights and bargain on pay and conditions at the company level.

One relevant element is political and administrative decentralisation. This issue also plays a role in the industrial relations system and social dialogue. Two recent examples highlight this. Galicia and the Basque Country are two regions where the local trade unions obtain better results than the national ones. This often leads to better regional and provincial agreements (from the point of view of the workers). The current political balance has led to a last-minute change in the recently passed law on the unemployment benefit subsidy. This change was requested by the PNV (Basque nationalists) and sanctions the prevalence of provincial and regional agreements over national ones. This draft bill still needs to be approved by the parliament.

Furthermore, the Basque Employment Law, passed last year, also mandates the inclusion of the regional umbrella organisation representing cooperatives in the board of the regional employment service. This is a pioneer measure.

However, in relation to this issue, the two major trade unions follow the main guidelines of the European Trade Union Confederation (ETUC) in asking for a greater involvement of workers and social dialogue in these policies, as well as a more relevant role for trade unions (for example, their capacity to take legal action against companies in breach of the directive). While the research has not found any specific statements from the UGT on this issue, the other major trade union, CC.OO., has issued some statements with specific requests (besides swift and ambitious transposition), such as:

- the inclusion, as mechanisms for the application and monitoring of due diligence, of the international framework agreements signed between companies and trade unions, and that the due diligence policy be the subject of collective bargaining between companies and trade unions, guaranteeing in all cases trade union participation;
- the introduction of a gender approach;

the inclusion of a wider set of obligations related to working conditions such as "the inclusion of the right to freedom of association and assembly and the rights to organise and bargain collectively, the right to just and favourable conditions of work, including a fair wage", etc.

In this sense, the international dimension that the Corporate Sustainability Due Diligence Directive is addressing has not played a significant role in the trade unions' agenda. Sometimes, when there is a specific incident that has a wide impact on the Spanish media, such as the Rana Plaza disaster or the different incursions of the Israeli army into the Palestinian Territories, the Spanish trade unions make a statement. In some cases, the research has found that regional federations may also take a more assertive action, such as signing a call to boycott Israeli products or companies with links to Israeli companies.

Finally, it is worth mentioning that, in Spain, the organisations representing the social economy do not usually have access to sectoral dialogue, and this has led to some big SE companies joining non-SE sectoral organisations (belonging to CEOE-CEPYME, the only recognised employers' representative organisation in national social dialogue).

### 1.3 SOCIAL ECONOMY ORGANISATIONS

Spain is considered one of the world champions in terms of the relevance of the social economy. The most significant data on this are the following:

- 43,233 SE organisations (SEOs)
- Almost 2,185,000 direct and indirect jobs
- Around 10% of GDP
- Over 21,625,000 people belong to an association
- 49.45% survival rate of SE organisations after five years against 36% for all companies

Furthermore, the development of its ecosystem can be further described by some highly significant achievements:

- The first EU country to have an SE law;
- One of the most “relevant” SE organisations in the world from the point of view of its advocacy capabilities (CEPES);
- One of the highest representations of the social economy in a national government: a minister representing the social economy (also holding one of the vice-presidencies);
- Co-sponsor of the UN Resolution on the Social Economy (2023);
- In the 2022-23 academic year 98 postgraduate actions were identified in Spanish universities: 76 postgraduate training actions, 19 professorships and 3 doctorates related to the social economy.

Regarding its legal framework, Spain is a decentralised state where regions enjoy a high level of competencies concerning the social economy and economic development. At central level, there is one national law on the social economy (2011, reformed and updated in 2015, 2022 and 2023) with a proposal to draft a new integral law to boost the social economy (postponed due to snap elections in May 2023 when the draft bill was ready).[1] There is also a national law on cooperatives and a national law on labour societies (employee-owned companies). However, each region has a law on cooperatives and the vast majority of cooperatives are included in and supervised by regional bodies.

1However, this draft bill recently re-entered the policy process: on October 8th, 2024, the Council of Ministers approved the draft of the Comprehensive Law to Promote the Social Economy

Regarding the issue of corporate sustainability, many SEOs have been publishing non-financial reports for a long time. In this sense, it is worth mentioning the social auditing campaign of REAS (the solidarity economy network in Spain). The publication of the report with the general results of the social audits carried out by the members of REAS has become a relevant event, with significant media coverage. Besides these, the bigger social economy companies covered by the CSRD have also been publishing their reports, and some of them before they were obliged to by any norm. For example, one of the best-known “multinationals” of the SE is the Spanish Mondragon Corporation. This cooperative group, which started its internationalisation process around half a century ago, was also amongst the pioneers in drafting a sustainability report (*memoria de sostenibilidad*) back in 2004, ten years before the Non-Financial Reporting Directive (2014/95/UE).

Furthermore, research on the internationalisation of the social economy has signalled how these companies tend to maintain their social ethos when facing the challenges of this process. For example, Bonache and Zárraga-Oberty (2020) demonstrated that discussions on issues such as the remuneration of expatriates and locals in cooperatives such as Mondragon were concentrated on “being competitive (while) still consistent with the cooperative’s social mission and (democratic) decision-making process”.

Finally, it is worth mentioning the research of Bretos and Marcuello (2017) which shows that despite challenges by neoliberal globalisation, cooperatives struggle to maintain their nature and social objectives when they internationalise. According to Bretos, Díaz-Foncea and Marcuello, an analysis of the 300 biggest cooperatives included in the Cooperative World Monitor shows that they are internationalised by more than 85% (data from 2013). However, there are great variances depending on the sector. In the case of the three sectors included in this research, the agriculture and food sector shows the highest level with 97.40% of its members engaging in internationalisation activities. It is followed by financial and banking services with 90%, but wholesale and retail lag behind with 60% and 60.53% respectively.

# 02
# Overview of three sectors: financial services, wholesale and retail trade, agriculture in Spain

## 2.1 INTRODUCTION

Spain shows an economic structure which is typical of developed countries with an 18% gross value added (GVA) for public expenditure and 24% for the sector "wholesale and retail trade; repair of motor vehicles and motorbikes; transport and storage; hotels and restaurants". The GVA of 24% for commerce, transport and hospitality can be broken down as follows: commerce (58%), transport (17%) and hospitality (24%). Finally, industry (13%) and real estate (11%) also show their relevance in the GVA distribution (INE 2024).
Nevertheless, if only retail is considered (wholesale commerce excluded), the gross value added of the three different sectors (NACEs 01, 47 and 64) selected for this research for 2021 is as follows (the last year for which INE has confirmed data): 33.954M€ for the financial services, 59.930M€ for the retail/commerce, 31.149M€ for agriculture. In percentage terms this represents:

- financial services: 3.07%
- retail/commerce: 5.42 %
- agriculture: 2.82%

In all three sectors, social economy organisations are excluded from the industrial relations system, i.e. they do not sign or negotiate collective bargaining agreements at state, regional or provincial level. They might participate, including through CEPES (the umbrella organisation representing the social economy), in the civil dialogue that includes consultation and involvement of social partners and also other organisations (such as CEPES) in policy-making processes.

## 2.2 FINANCIAL SERVICES

### 2.2.1 OVERVIEW

The Spanish banking market is dominated by large entities such as Banco Santander, BBVA and CaixaBank, which have a strong presence both nationally and internationally. These institutions have undergone a consolidation process following the 2008 financial crisis and the restructuring of the financial system.

In the case of Spain this process has also led to the almost total disappearance of savings banks, which prior to the 2008 crisis represented more than 50% of loans and deposits. These banks (Cajas de Ahorro) originated in the 18th century in Germany and in some cases were considered to be potentially included in the social economy.

Regarding regulation there are less significant institutions directly supervised by the ECB (only ten of them). Only one of them is an SE enterprise.

Spain has also some of the most internationalised banks of the EU (such as Santander and BBVA) and they have a strong presence in areas such as Latin America and other emerging markets.

The total number of employees is around 200,000, of whom around 160,000 worked at banks (2022 figures[2]). However, the six biggest banks employ 126,700 out of these 160,000.

2 https://es.statista.com/estadisticas/565783/numero-de-empleados-del-sector-bancario-espanol/

### 2.2.2 SECTORAL SOCIAL DIALOGUE

AEB is the official partner of the sectoral social dialogue. On the trade union side there are the general trade unions (UGT and CC.OO. at national level, but also regional trade unions in Galicia and the Basque Country). Other two sector-specific trade unions are the Confederation of Independent Unions of Savings Banks and Banks (CSICA) and the Union of Employees of Savings Banks and Banks (SECB).

Credit cooperatives do engage in collective bargaining through their two representative organisations. Thus, ASSEMEC and UNACC do sign collective agreements addressing working conditions for their members. CEPES (cross-sectoral umbrella organisation for the social economy), UNACC and ASSEMEC also participate in other forums pertaining to the civil dialogue and addressing sector-specific issues.

The Cajamar Cooperative Group (selected for a case study in SEDLEX) is a member of the sectoral organisation AEB, which is a member of CEOE. The Cajamar Cooperative Group is also a member of CEPES and a founder of the second sectoral organisation representing credit cooperatives: ASSEMEC (the other sectoral organisation participating in the sectoral dialogue is UNACC).

### 2.2.3 LARGEST COMPANIES WITHIN THE SECTOR

The biggest ten banks by total assets in Spain are the following (they also correspond to those under direct supervision of the ECB): Banco Santander, BBVA, CaixaBank, Banco Sabadell, Bankinter, Unicaja, Abanca, Kutxabank, Cajamar and Ibercaja. Nevertheless, there is a substantial drop from the third (CaixaBank) to the fourth (Banco Sabadell): €607,167 million compared to €243,453 million (2023).

Cajamar is the only cooperative bank in this list. The Cajamar Cooperative Group (CCG) is a consolidated group of credit institutions that, in December 2009, was authorised and classified as an Institutional Protection Scheme (SIP) by the Bank of Spain. It is made up of 18 individual entities and the Credit Cooperative Bank (CCB). The CCB leads the Cajamar Cooperative Group, being responsible for its operations, setting commercial policies, risk procedures and controls, treasury management, as well as the issuance of financial instruments, the commercial plan, and budget preparation. Cajamar is also the main shareholder of the CCB.

### 2.2.4 SOCIAL AND ENVIRONMENTAL SECTORAL CHALLENGES AND THEIR RELATION WITH CORPORATE SUSTAINABILITY

The challenges faced by the Spanish banking sector in terms of environmental and social sustainability are significant and varied. They can be summarised as follows:

Social challenges: The banking sector faces a growing risk of financial exclusion, particularly for older people, residents of rural areas, and those with difficulties in adapting to digitalisation. As banks migrate towards more digital services, it is crucial to prevent these groups from being left out. The sector has indeed undergone an accelerated process of digitalisation, with a growing offer of digital and mobile financial services. This includes everything from online banking to the emergence of fintechs, which offer technological solutions in payments, loans, and asset management. Thus, according to Statista "online banking has seen a growing acceptance in Spain in recent years, and in 2023, more than 70% of Spaniards were users of this type of online service. In this way, the country was around eight percentage points above the European average of digital banking users".[3]

Environmental challenges: The banking sector also faces challenges in contributing to the fight against climate change. Environmental risks, both physical (extreme weather events) and transitional (regulatory changes towards a low-carbon economy), are a growing concern. Banks must adapt to finance green projects and help companies reduce their environmental impact.

Financial risks related to climate change: Banks are affected by the increased probability of default and loss of asset value due to natural disasters, as well as exposure to companies that are not aligned with the green transition. Extreme weather events, such as floods or fires, can damage financial assets and affect the repayment capacity of borrowers.

Sustainable finance and the need for green investment: Despite the growing interest in green finance, there are still obstacles such as the lack of clear regulatory frameworks to define what constitutes green activity. This makes it difficult to assess risk and attract private capital for sustainable projects.

3 https://es.statista.com/estadisticas/501217/tasa-de-penetracion-de-los-servicios-de-banca-online-en-espana/ . Translation by the author.

## 2.3 WHOLESALE AND RETAIL TRADE

### 2.3.1 OVERVIEW

Spain has a mix of traditional family-owned shops and large modern retail chains. In cities, you will find both small local businesses and international retail giants. Gross value added has fallen from around 9-10% in the 1990s to the 6% today.

Although the share of the large retail chains such as Mercadona, Lidl, Inditex and Carrefour has been growing over the last 30 years, small and medium-sized enterprises (SMEs) make up a substantial portion of the sector, particularly in local and regional retail. They often focus on niche markets or specialised products. They have a higher share of the employment but they represent a smaller share of GVA. According to a report from CaixaBank Research the sector consisted of nearly 436,000 companies by the end of 2020, around 13% of the Spanish business fabric. The report also states that "according to the Structural Business Statistics compiled annually by the INE, half of the companies in the sector have no salaried employees, while 48% of the total have a workforce of between 1 and 10 paid workers. However, it is worth noting that in terms of turnover, large companies in the sector (with 250 or more employees) account for the largest share of total retail sector revenue, representing 35% of the total."

Spain has experienced rapid growth in e-commerce, especially since the COVID-19 pandemic. Major players like Amazon and local platforms such as El Corte Inglés dominate online retail. This has also affected the SMEs.

### 2.3.2 SECTORAL SOCIAL DIALOGUE

Collective agreements (addressing working conditions) are signed by the sectoral organisation of the CEOE, ANGED. EROSKI (the case selected for SEDLEX) is a member of ANGED. The trade union co-signatories of the collective bargaining agreement are the independent trade union confederation FETICO, the federation of services of CC.OO, and VALORIAN.

### 2.3.3 LARGEST COMPANIES IN THE SECTOR

The largest companies in the sector are Inditex, Mercadona, El Corte Inglés, Centros Comerciales Carrefour, Dia, Lidl Supermercados, EROSKI, Alcampo, Laroy Merlin España and Consum (El Economista[4]).

The company selected for the case study (EROSKI) is not only relevant within the Spanish social economy but also within the whole sector. EROSKI is a relevant member of CEPES. It is the seventh-largest Spanish chain of supermarkets in this sector, according to El Economista. Furthermore, as of 2022 EROSKI is the largest social economy enterprise in terms of both employment (37,069) and turnover (4,828.20 MEUR – CEPES, 2023).

4 https://www.eleconomista.es/ESP500/Sector/Comercio_minorista

### 2.3.4 SOCIAL AND ENVIRONMENTAL SECTORAL CHALLENGES AND THEIR RELATION WITH CORPORATE SUSTAINABILITY

The retail sector in Spain faces major social and environmental challenges in terms of sustainability:
Environmental challenges: Retail faces the fundamental challenge of decarbonising its value chains, especially in distribution. This involves reducing $CO_2$ emissions not only in its own operations, but also along its supply chains, which are particularly complex due to globalisation and the diversity of actors involved. Scope 3 emissions, i.e. emissions from traded products, account for up to 95% of the total carbon footprint of this sector.

Another important challenge is the implementation of circular economy practices, allowing the reuse and recycling of materials to reduce the environmental impact. In addition, the sector must adapt to the demands of consumers, who are increasingly looking for sustainable and ethically produced products.

Social challenges: From a social perspective, retail must face the challenge of implementing due diligence processes to ensure that labour conditions along the entire supply chain are adequate. This is a complicated challenge, due to the length and diversity of the supply chain involving multiple actors in different countries.

The COVID-19 pandemic has accelerated the digitalisation of the sector, posing new challenges. The expansion of e-commerce has benefited large chains, while many smaller retailers have struggled to adapt to new technologies, and face a slower recovery. This has intensified the differences between small shops, which account for the majority of employment in the sector, and large retailers.

Regulatory framework: A clear and coherent regulatory framework at the European and national levels is crucial for the sector to achieve sustainability. However, the current lack of regulatory harmonisation and the speed with which some regulations are implemented make it difficult for the sector to adapt effectively to the necessary changes.

## 2.4 AGRICULTURE

### 2.4.1 OVERVIEW

The Spanish agri-food sector is navigating a challenging landscape.[5] High production costs and a prolonged drought have significantly affected the sector. Despite these hurdles, the sector is maintaining its competitive edge and global market presence. In 2022, Spain experienced a substantial 13.6% decline in agricultural production, notably greater than the EU average of 4.6%. The current year is anticipated to witness an even more pronounced decrease in production. However, a decline in production costs is expected to mitigate food inflation. The agri-food sector plays a pivotal role in the Spanish economy, employing over 2 million individuals and contributing approximately 10% to GDP.

According to CaixaBank Research, the agricultural sector has undergone significant changes, characterised by a reduction in the number of farms and an increase in their average size to 26.4 hectares. Olives, fruit trees, cereals and legumes continue to dominate crop production.[6]
As per the most recent Labour Force Survey (EPA), the Spanish agricultural sector provides employment to approximately 770,000 people, constituting 3.6% of the Spanish workforce.[7] According to the cooperative association over 122,600 direct jobs are generated by cooperatives, but these exclude the cooperatives' members, who according to the same source account to more than one million.

In Spain there are over 900,000 agricultural holdings of which the vast majority belongs to a natural person. However, these natural persons usually aggregate into cooperatives for many of the most important economic activities of such holdings.

### 2.4.2 SECTORAL SOCIAL DIALOGUE

In the case of the agriculture sector, there are no national collective agreements, only provincial and some regional ones. The participants in these collective bargaining processes are either the sectoral member of CEOE ASAJA[8]) or other employers' organisations such as UPA[9]

5 https://www.caixabankresearch.com/es/analisis-sectorial/agroalimentario/sector-agroalimentario-espanol-se-abre-paso-coyuntura-adversa-0

6 https://www.caixabankresearch.com/es/analisis-sectorial/agroalimentario/nos-dice-ultimo-censo-agrario-sobre-explotaciones-agrarias?16

7 https://elpais.com/economia/2024-02-10/quienes-son-que-cultivan-y-a-cuanto-venden-los-agricultores-en-espana-el-sector-explicado-en-graficos.html

8 ASAJA stands for "Asociación de Jóvenes Agricultores y Ganaderos de España." In English, it translates to "Association of Young Farmers and Ranchers of Spain."

9 UPA stands for "Unión de Pequeños Agricultores y Ganaderos." In English, it translates to "Union of Small Farmers and Ranchers."

or COAG[10]. UPA and COAG are close to trade unions. UPA is traditionally closer to UGT and COAG is traditionally closer to CC.OO. However, they are also often excluded from some provincial or regional agreements (signed exclusively by ASAJA and one or two trade unions).

COVAP (the case selected for SEDLEX) is not a member of any sectoral organisation of CEOE. It is a member of Cooperativas Agroalimentarias, the body representing agricultural cooperatives (through the Andalusian Federation).[11] Cooperativas Agroalimentarias is a member of CEPES, is the Spanish member of the EU umbrella organisation COGECA, and participates in the civil dialogue and other policy-related initiatives.

It is important to notice a certain inequality in the sectoral dialogue in Spain regarding SE companies in the agricultural sector (despite representing 69% of value of final agricultural production).[12]

### 2.4.3 LARGEST COMPANIES WITHIN THE SECTOR

Spain has a bigger share of smaller farms than for instance Germany, France or the Netherlands, according to CaixaBank Research,[13] which may be a factor behind the role of cooperatives.

Therefore, to find the biggest companies in the agricultural sector can prove to be difficult. However, we could infer that the biggest companies are usually cooperatives. According to CEPES these are the biggest cooperatives in the sector:

1. AN, S.COOP.
2. SCA DCOOP.
3. COREN, S. COOP. GALEGA
4. ANECOOP S. COOP.
5. Gestora Residuos Vinicos S.Coop.
6. S.COOP.AND. COVAP
7. SCA ÚNICA GROUP
8. S. COOP. BAJO DUERO (COBADU)
9. AGROPAL S. COOP.
10. KAIKU S. COOP.

The company selected for the case study is COVAP. COVAP is the 11th-largest cooperative in Spain by turnover: 690.82 MEUR in 2022 (CEPES, 2023) and according to recent data 1,040 MEUR in 2023 (from 441 MEUR in 2017). It is worth noting that the total direct turnover of the agri-food cooperative sector (including investee companies) is equivalent to 69% of the value of final agricultural production and 30% of the value of the net sales of the Spanish food industry. It is difficult to find a ranking including cooperatives and non-cooperatives, but according to CEPES (2023), COVAP was the sixth-largest agriculture cooperative by size according to 2022 data (it may have changed with a sharp increase in 2023). The biggest are AN Coop in Navarra, followed by DCOOP in Andalusia and COREN in Galicia.

10 COAG stands for "Coordinadora de Organizaciones de Agricultores y Ganaderos." In English, it translates to "Coordinator of Organizations of Farmers and Ranchers."

11 https://www.agroalimentarias-andalucia.coop/

12 Data from the organization representing agricultural cooperatives: https://www.agro-alimentarias.coop/datos-cooperativismo

13 https://www.caixabankresearch.com/es/analisis-sectorial/agroalimentario/nos-dice-ultimo-censo-agrario-sobre-explotaciones-agrarias?16

### 2.4.4 SOCIAL AND ENVIRONMENTAL SECTORAL CHALLENGES AND THEIR RELATION WITH CORPORATE SUSTAINABILITY

The Spanish agri-food sector faces significant social and environmental challenges in its pursuit of sustainability:

Environmental challenges: The primary environmental challenge for the sector is reducing greenhouse gas emissions. Despite a 20% reduction in EU emissions since 1990, Spain has seen a 6.5% increase over the same period. The sector's emissions account for 12% of Spain's total economic output. To mitigate this, the Common Agricultural Policy (CAP) and NextGenerationEU funds are driving the transition towards more sustainable agriculture, with a focus on improving water efficiency, responsible pesticide use, and digitalisation.

Another major challenge is the sector's intensive water use, which accounts for 82.1% of the country's total water consumption. Modernising irrigation systems and adopting more sustainable practices are key to reducing environmental impact.

Social challenges: A major social challenge facing the agro-livestock sector is generational renewal. The lack of young people interested in working in this sector, due to working and living conditions in rural areas, threatens the sector's long-term sustainability.

Regulatory framework: Additionally, regulatory pressure from environmental and social regulations poses a challenge for many farms, especially smaller ones, which find it difficult to adapt to new requirements and remain competitive.

# Conclusion

To accurately assess the social and environmental challenges associated with the European framework on due diligence for each of the three sectors would require more time and resources than were available for this research. Additional information is provided in the case studies of companies (large cooperatives active in the three sectors).

However, some findings can be derived from the desk research and interviews conducted in the framework of this country report.

Regarding social dialogue partners, the approved directive (CS3D) presents significant room for improvement regarding the role of trade unions. For example, CC.OO. expressed concern that the directive's references to certain rights, such as freedom of association and assembly, are too general and do not provide enough specific protections. Additionally, the lack of a gender perspective was noted. In the sectors investigated, stakeholders recognise that the challenges mentioned require significant investments, both to comply with environmental regulations and to adapt to new requirements. In this sense, there is a consensus on the need to adapt to a demanding regulatory framework that affects the sustainability of companies. This does not mean they oppose the development of a regulatory framework. For instance, there is a consensus across the three sectors to highlight the importance of reducing the carbon footprint and the need to move towards decarbonisation in their respective areas. Each of them is also aware of specific social challenges, depending on their field of activity.

However, despite sharing challenges and endorsing the need for a regulatory framework, each sector faces unique problems and has different perspectives on sustainability and regulation. Interviewees from all three sectors identified common challenges related to adapting to evolving EU legislation. While most companies have successfully adjusted to the reporting requirements, they agree that the need to comply with a demanding regulatory framework poses some challenges. These will be explored in greater detail in the case studies attached to the SEDLEX project.

# Resources

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