



Globally Responsible Leadership Program



ARPEL SOCIAL REPORT

GLOBALLY RESPONSIBLE LEADERSHIP PROGRAM

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Particularly this Report was developed in the context of the promotion of Corporate Social Responsibility within ARPEL Member Companies as fundamental support to good governance and sustainable development.

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1. INTRODUCTION

In 2004, through the initiative of the United Nations Organization Global Compact, EFMD - The European Foundation for Management Development was requested to select companies and business schools that for the first time in UN history melded theory and practice to develop together a pioneering methodology to educate and train a new generation of leaders. These leaders will be motivated to understand the importance of issues related to social and environmental responsibility and will undergo training processes so that these issues will become part of their companies' businesses without compromising their profitability.

Thus, representatives from twenty-one pioneering institutions - 7 companies and 14 business schools - took part in a process involving six working meetings (presential) through the year 2005 in countries in Africa, Europe, South America and North America; Petrobras and Fundação Dom Cabral represented Brazil at these meetings. At the end of these meetings, and after the final report had been delivered to the Global Compact Office in New York, USA, it was decided to expand the number of institutions and found the Globally Responsible Leadership Initiative.

The Globally Responsible Leadership Initiative (GRLI) is a global and multicultural action and learning community. This initiative operates within a governance model that is completely transparent and unique, and it involves all its partners in continuous learning processes. GRLI is a public foundation based in Belgium.

GRLI currently counts on 62 partnering organizations and it has been expanding quickly. A maximum number of 120 partners has been set so that it can remain a global network that is totally integrated and action-oriented, while also managing to fulfill its unique role as the main catalyst for long-term change and the development of globally responsible leaders.

As they were encouraged to develop a pilot project in Brazil, Petrobras and FDC accepted the challenge and carried out a series of workshops with the company's senior management from the end of 2007 and throughout 2008. This led to the setting up of a guideline manual to develop globally responsible leaders in the company. This manual will be used by the company's Corporate University to train about 4,900 managers and supervisors in the principles of Globally Responsible Leadership (GRL).

The result of the work carried out at Petrobras was presented to the directors of ARPEL – *Asociación Regional de Empresas de Petróleo y Gas Natural en Latinoamérica y el Caribe* -, who immediately became interested in spreading the GRL principles to their associated companies through a project named "Globally Responsible Leadership Program". To carry out the program, ARPEL has received financial support from CIDA - Canadian International Development Agency. RECOPE - *Refinadora Costarricense de Petróleo* was the first company associated to ARPEL that became interested in this project. This report presents the process and the results that stem from the work done at RECOPE in the months of November and December, 2009.

2. THE PRINCIPLES OF THE GLOBALLY RESPONSIBLE LEADERSHIP INITIATIVE (GRLI)

A competitive market economy presents many advantages: creativity, productivity, growth potential and flexibility. Entrepreneurship and innovation are at the core of this system. Within a market economy companies are the agents of technical and economic evolution. For a long time it was assumed that actions taken by companies would automatically serve the common good thanks to the virtues of the market and to its famous "invisible hand". Nowadays such a connection is becoming much less clear. Globalization, growth, the popularization of information technology and the absence of worldwide regulations have bestowed on companies an unprecedented degree of power - and freedom - to act.

Guided only by instrumental logic, the model becomes increasingly ambiguous and paradoxical. At the same time as it produces wealth as never before and ensures unprecedented growth, the model pollutes, excludes and frequently encourages oppression and social injustice. It promotes a desperate race that no longer presents a visible goal, or *raison d'être*, besides shareholder value at all costs. This measure, due to its extremely short term, no longer reflects the true worth of a company in terms of its contribution to society.

As recent experience has shown that the current model does not lead to a balance that will serve the common good, the GRLI (The Globally Responsible Leadership Initiative) argues that there is an urgent need to conceive and implement a development model that is economically, socially and environmentally sustainable. We need responsible leadership to implement a broader model that will lead to sustainable development. This requires a deep change in the mindset and behaviors of individuals, as well as in the general corporate culture.

What is necessary is that both individuals and organizations should shoulder their responsibilities vis-à-vis the need to build the Common Good. A globally responsible leadership demands that a cultural change and evolution in mindset should be based on reviewing three areas: first, the company's *raison d'être*; second, leadership as the representative and catalyst of values and responsibilities within the organization; and third, behaving as a corporate statesperson to expand the debate and the dialogue with society as a whole.

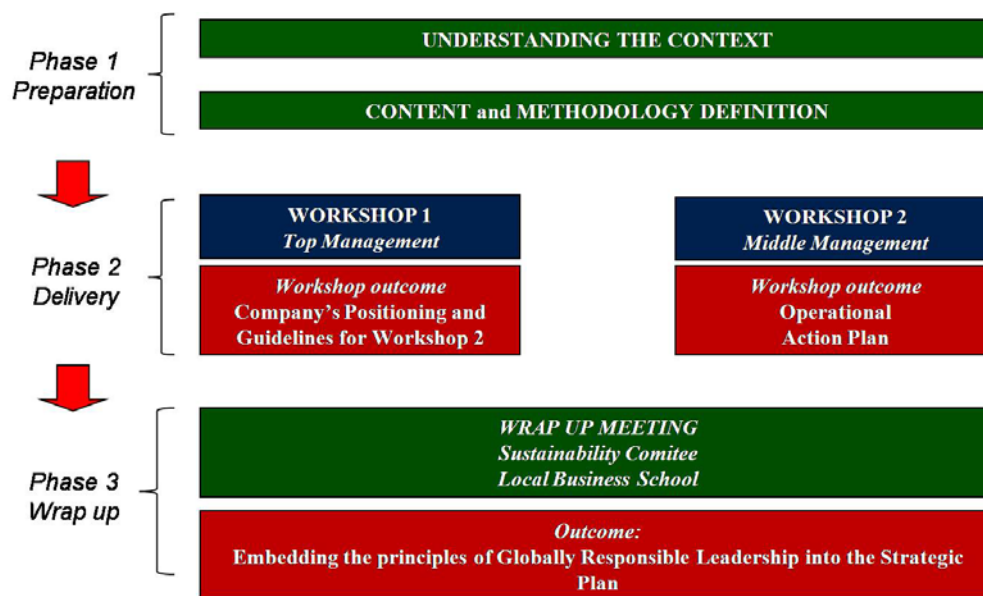
1. Reviewing the company's *raison d'être*: A company's main goal is to contribute to the overall well-being through economic progress. Creating value for shareholders is only one of several performance measures. Entrepreneurial actions are defined in terms of initiative, dynamism and innovation. We must return to the core of entrepreneurial action, which means creativity in a real world that generates goods and services, as opposed to the logic of pure and simple financial speculation. Such a concept of progress will allow us to identify a company's specific contribution to society - the function it is able to fulfill, and which differentiates it from other organizations such as the government, unions, universities, NGOs and others. It is from such a perspective that GRLI supports the formulation of globally responsible business goals under the following terms: "To create economic and social progress in a sustainable and globally responsible way".

2. Leadership and ethical adequacy: Responsible leadership implies that actions will be based on a system of values that recognizes societal interdependence and long-term sustainable development. If a company wishes to attribute a meaning to its actions, if it wishes to attribute a goal to economic progress by aligning it to social progress, ethics will be essential to enlighten difficult choices and guide behavior. The main ethical issue of our times is choosing what kind of world we want to build together with the very broad range of resources we have at our disposal. Ethics is not restricted to certitudes or values, but it is essential for the long-term sustainability of companies.

3. Corporate Statesperson: It means the organization as an active contributor to evolution and to social well-being. A responsible company will accept an open debate every time its actions might bring about important social consequences. New kinds of dialogue that include civil society representatives (such as NGOs, universities, religious organizations) and international institutions need to be brought into discussions with social partners and governments. Such an approach must move beyond the domestic structure. We also need political will to be translated into worldwide regulations and governance. Instead of limiting itself to lobbying actions, a responsible company will proactively participate in the preparation and implementation of the necessary global norms, in close collaboration with all stakeholders. This also means listening attentively and contributing towards public debate. It is towards this aim that responsible leaders must develop their new capacity to perform as statespersons.

3. METHODOLOGICAL FRAMEWORK

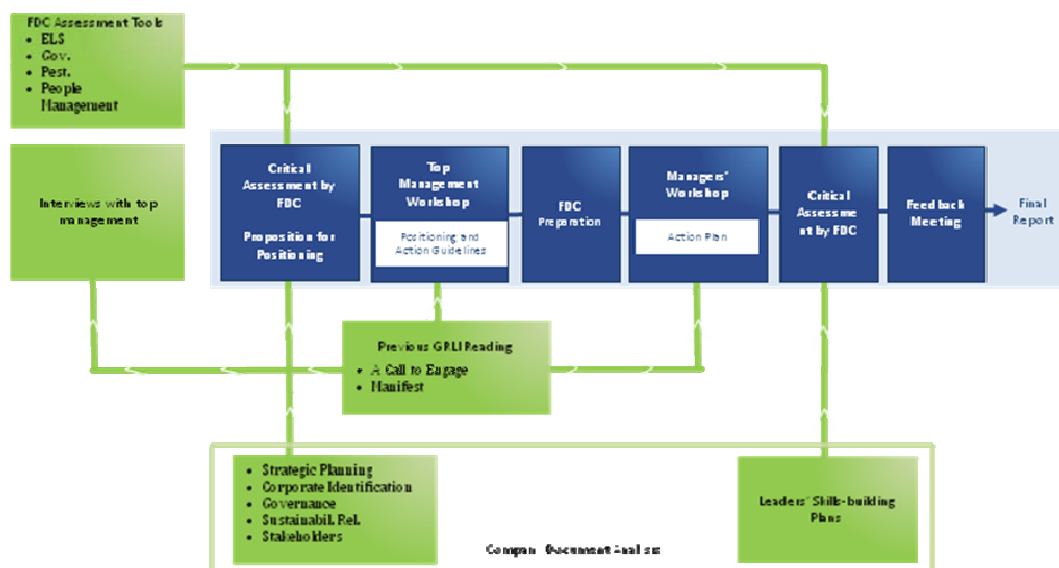
As we seek to begin to develop Globally Responsible Leadership at the companies associated to ARPEL we have developed the following methodological framework for the “Globally Responsible Leadership Program”, whose phases will be described below.



Phase 1 - Preparation

The preparation phase for the “Globally Responsible Leadership Program” was launched at a one-day meeting of the team involved with the project. This meeting took place on November 03, 2009, and its goal was to set out a general framework for the Program that could be customized according to the interviews that would be held during the following stage. The research tool was also created during this meeting.

The general framework that was established can be summed up by the figure below.



Following that, professors Cláudio Boechat and Rudolf Gabrich visited RECOPE to obtain a greater understanding of both the country's and the company's context. For two days eleven interviews were carried out with collaborators from all levels in the company. The table below presents the interviewees and their functions.

| | Position at the Company | Interview | Time | Day | Venue |
|----|--|---------------------------|----------|--------|--------|
| 1 | Projects and International Trade Manager | Jorge Blanco Roldán | 8:30 AM | Nov 26 | Office |
| 2 | Distribution Manager | Jorge Rojas Montero | 9:30 AM | Nov 26 | Office |
| 3 | Planning Director | Carlos Valverde Hernández | 11:00 AM | Nov 26 | Office |
| 4 | Human Resources Director | Pilar Flores Piedra | 1 PM | Nov 26 | Office |
| 5 | Board Member | Asdrubal Quesada Castro | 2 PM | Nov 26 | Office |
| 6 | Risk and Value Unit Coordinator | Ileana Herrera Arias | 3:30 PM | Nov 26 | Office |
| 7 | Administration and Finance Manager | Carlos Quesada Kikut | 9:30 AM | Nov 27 | Office |
| 8 | President | José León Desanti | 10:00 AM | Nov 27 | Office |
| 9 | SAS Distribution Head | Leonel Campos Fuentes | 11:30 AM | Nov 27 | Office |
| 10 | SAS Head | Roberto Coto Rojas | 1:30 PM | Nov 27 | Office |
| 11 | Head of Communications | Luisa Quirós Ducca | 3 PM | Nov 27 | Office |

This stage ended with adapting the "Globally Responsible Leadership Program" content and methodology to the reality at RECOPE. Such adaptation was carried out in two meetings with the team involved with the project. The first meeting was held on November 30, 2009, and its goal was to prepare material and methodology for Workshop 1 - Top management. The second meeting was held on December 07, 2009, and its goal was to process the end of Workshop 1 and prepare the work to be done in Workshop 2.

Phase 2 - Delivery

Phase 2 - Delivery consisted of two workshops with company employees.

Workshop 1 was held on December 04, 2009, and there were 28 first-line manager collaborators present, besides Prof. Demetrio Polo-Cheva from INCAE. The table below displays the agenda that was carried out in Workshop 1.

| December 04, 2009 | |
|--------------------|--|
| TIME | ACTIVITY |
| 8 AM - 8:30 AM | Opening |
| 8:30 AM - 9:30 AM | The History and Importance of Globally Responsible Leadership. |
| 9:30 AM - 10 AM | The Development Process of Globally Responsible Leadership. |
| 10 AM - 10:15 AM | Break |
| 10:15 AM - 12 noon | The Areas of Action of Globally Responsible Leadership and Responsible Management for Sustainability |
| 12 noon - 1 PM | Lunch |
| 1 PM - 1:30 PM | Positioning Matrix |
| 1:30 PM - 3 PM | Company Classification |
| 3 PM - 3:15 PM | Break |
| 3:15 PM - 5 PM | The Future Positioning of the Company and Guidelines |
| 5 PM - 5:15 PM | Wrap up |

Workshop 2 was held on December 09 and 10, 2009, and there were 30 RECOPE managers present, besides Prof. Demetrio Polo-Cheva and Prof. Ricardo Matarrita from INCAE. The table below displays the agenda carried out in Workshop 2.



| December 09, 2009 | | December 10, 2009 | |
|-------------------|--|-------------------|--|
| TIME | ACTIVITY | TIME | ACTIVITY |
| 8 AM – 8:30 AM | Opening A Member of the Board | 8 AM – 8:30 AM | Instrumentalization Guidelines |
| 8:30 AM -9:30 AM | The History and Importance of Globally Responsible Leadership | 8:30 AM – 10 AM | Instrumentalizing the guidelines: specific goals, lines of action and projects |
| 9:30 AM – 10 AM | The Development Process of Globally Responsible Leadership | | |
| 10 AM -10:15 AM | Break | 10 AM – 10:15 AM | Break |
| 10:15 AM -12 noon | The Areas of Action of Globally Responsible Leadership and Responsible Management for Sustainability | 10:15 AM -12 noon | Instrumentalizing the guidelines: specific goals, lines of action and projects |
| 12 noon – 1 PM | Lunch | 12 noon – 1 PM | Lunch |
| 1 PM - 2 PM | Positioning Matrix | 1 PM – 3 PM | Consolidating and prioritizing goals/lines of action/projects |
| 2 PM - 3 PM | Company Classification | | |
| 3 PM – 3:15 PM | Break | 3 PM – 3:15 PM | Break |
| 3:15 PM – 5 PM | The Future Positioning of the Company and Guidelines | 3:15 PM – 5 PM | Consolidating and prioritizing goals/lines of action/projects |

Phase 3 – Wrap up

The meeting to wrap up the “Globally Responsible Leadership Program” at RECOPE was held at the company's facilities on December 11, 2003. Four RECOPE collaborators, from the company's sustainability committee, took part in this meeting with the three professors from Fundação Dom Cabral. Besides them, RECOPE President Eng. José Leon Desanti Montero came by the meeting room to thank for the work carried out at RECOPE.

The goal of this meeting was to present a summary of the information gathered during the two Workshops and also to discuss possible actions as regards the continuing development of Globally Responsible Leadership at RECOPE and in Costa Rica:



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- People training and development initiatives
- The education and development of multipliers
- The setting up of a CoRA (Community of Responsible Action) in Costa Rica
- INCAE support for the company's internal initiatives.

We will now detail the results achieved during the work carried out at RECOPE.



4. PERCEPTIONS

4.1 The country

A centenary democracy, enviable social development, and long-lived economic stability make Costa Rica almost an institutional oasis within a Latin America with a history of a colonized, divided and fragmented continent. It will come as a surprise to a Brazilian observer to find out there is no Army, to see the attention paid to the environment, and to feel the cordial mood of the inhabitants. It is admirable to learn that there are more than ten corrupt personalities who have been convicted and are in prison - including some former presidents of the Republic.

As a tool for transparency and accountability from and to society, the 15th report titled "The State of the Nation - sustainable human development (2008)" offers broad and objective analyses based on indicators for human development, equality, education, poverty, the economy, elections, and citizenship and environmental management participation. The table that is displayed reveals a country:

- With a high educational level and good wealth distribution;
- Worried about the rise in crime rates and about the persistence of informal and poorly-paid labor;
- That despite its ecological tradition has found out that its environmental footprint is growing and is larger than its territory's biocapacity;
- Hit hard by the international financial crisis, which has led to fiscal deficit and a worrying decrease in the government's investment capacity;
- That discusses how to keep its advances in education and health to avoid delays in the social inclusion and equality processes.

It is enlightening to observe the challenges extracted from several issues of the State of the Nation Report:

- Restore faith in politics and in its institutions, and improve the quality of democracy;
- Create better-quality and more productive jobs and business opportunities, and align new exports with the rest of the economy;
- Modernize the transportation and communications infrastructure;
- Control internal debt;
- Do away with development disparities among the country's different regions;
- Do away with social, economic and political gender disparities;
- Adopt national policies about key issues such as tax regime and burden, poverty, migrations and relations with Central America;



- Expand its range, improve its quality and diversify middle school as a mechanism to take firm steps towards reducing poverty and increasing productivity;
- Face the accumulated deterioration of social equality;
- Achieve a social transaction that will offer opportunities and benefits among inhabitants.

Such a stage of collective political awareness did not appear out of the blue; it is the result of a historic process that has undergone tense and creative moments in which common interests prevailed. As part of the same nationalistic impulse that did away with the Army, institutions were set up to take care of government monopolies in energy, communications and fuel. RECOPE was one such creation.

RECOPE is responsible for supplying the country with fuel, and it plays its industry's traditional game: it imports fuels and crude oil, refines and distributes them. Most of the commercialization is carried out by local entrepreneurs who are known as "*gasolineros*". Local laws constrain companies to a restricted space as it tries to make sure that the company will add minimum costs to the imported raw materials and thus benefit consumers. Despite it, pricing policy transfers international price fluctuations to consumers, thus fixing into their minds the idea that the company is partly responsible for inflation.

In a country that is evidently focused on environmental preservation, the oil industry is the target of constant attention due to its power to contaminate. There is a clear contrast with electric energy. The State of the Nation 2008 dedicates a large space to analyze this issue:

(Extracted from State of the Nation, 15)

Energy consumption and impacts still focused on transportation

From a global perspective, energy generation and use has been repeatedly cataloged not only as one of the main pressures bearing on natural resources but also as one of the activities that most impact the environment, environment crisis global indexes such as the ecological footprint and, mainly, climate change. The Costa Rican electric sector is greatly dependent on using clean and less impacting sources, but within the context of overall energy consumption it is still strongly dependent on hydrocarbons, mainly as regards the transportation sector, which is responsible for over half of the total consumption. This has a significant bearing on the country's ecological footprint.

Historically, the transportation industry is the one that has demanded the greatest amount of energy, to the tune of representing 55.6% of domestic consumption. However, due to high fuel prices and to the worldwide economic crisis, this participation has decreased by 2.6% in 2007-2008. Diesel is the most highly demanded product and it accounts for 25% of total sales; according to DSE, 7% are used in private vehicles, 14% in public transportation, and 66% in freight transportation, while the remaining 13% are used in special equipment and others. Gasoline represents 23% of final energy consumption and it is wholly used for private transportation. High international prices have led to changes in private transportation: the fleet of diesel-powered vehicles has increased and the government has reduced by one weekday the use private vehicles at set times.



Air transportation uses up 12% of the total, and maritime use is not accounted for because it is taken as export; however, it is worth highlighting that between 2007 and 2008 this consumption was reduced to less than half.

Up to now the measures proposed to reduce energy expenditures in this sector remain short-term initiatives that are unarticulated and obsolete, as they should have been applied fifteen or twenty years ago. Although there is not only one way out of this problem, there are some aspects to be taken into account: a) developing an efficient public transportation system from the point of view of connectivity, technology and service quality; b) encouraging a system of railways leading from production to urban centers and industrial zones that will bring energy economy and efficiency to freight transportation; c) promoting norms to reduce the importation of low energy and mechanical efficiency vehicles; d) a timely drive towards a transportation infrastructure that bears an energy-saving vision; e) preparing a cultural change strategy that will encourage economy and the efficient use of fuel in the industry. Implementing these actions would not only mean decreasing fuel expenses but also achieving more harmonious relations with the environment and better quality of life.

This is essential not only due to the weight carbon emissions have on measuring the "ecological footprint" but also because the use of hydrocarbons directly affects the quality of the air people breathe in metropolitan areas.

On this subject, measurements made in 2008 by the UNA Environmental Analysis Laboratory registered near this laboratory in Heredia more micrograms per cubic meter ($\mu\text{g}/\text{m}^3$) of polluting particles than in the most polluted cities in the world. Samples showed that the annual average stands at $58 \mu\text{g}/\text{m}^3$ at that site, compared to the $51 \mu\text{g}/\text{m}^3$ concentration reported in 2005. This is due to traffic gridlock and to the industries set up in the Province.

Both the domestic and the WHO norms recommend keeping air pollution below $50 \mu\text{g}/\text{m}^3$. The amount of combustion gases (nitrogen dioxide) in the air increased, by 20% in this case.

4.2 The company

In its domestic institutional energy arrangement, Costa Rica set up two organizations: ICE - Instituto Costarricense de Energía y Telecomunicaciones and RECOPE. From the text we can understand the burden of responsibility brought to bear on the state-owned and fuel-monopoly Company. In times of climate change the whole oil industry is on the receiving end of attacks on greenhouse gas emissions. Investments in other sources of energy are the natural path to the future, but in Costa Rica it is necessary to align energy and fuel monopolies. Fuel economy and biofuel production seem to be the natural areas for RECOPE advances. The first one demands positioning by society, although it must be encouraged and can even be headed by company efforts. Biofuel production is still incipient in the country. In a country that saves 35% of its territory for environmental reservations there are not many agricultural areas. Thus, the roads to the future might include large-scale production programs associated to the distributed production of non-fossil fuels. As it commonly happens on such occasions, there will be great opportunities to generate income in the countryside, which is exactly where the worst labor conditions that the country is attempting to revert can be found.



5. A DESIRE FOR GRL ADVANCES AT RECOPE

The development stage of Globally Responsible Leadership at an organization can be ranked as elementary, committed or transforming.

Organizations at an elementary stage pay primordial attention to individual performance and to the performance of the organization itself without taking into account aspects of the society in which it operates and, at a more encompassing level, of humankind as a whole. Such organizations are concerned about meeting that which is legal and normative, taking ownership in the present of the developments that happened in the past.

Organizations at a committed stage add attention to the performance of the society they are inserted in. Such organizations are concerned about criticism and accusations of deviations within society to take ownership of the potential that is present in reality.

Organizations at a transforming stage add attention to the destiny of humankind. Such organizations are concerned about creating new realities to take ownership of that which can be done, thus generating longevity and sustainability.

These evolutionary stages are summed up in the figure below:

EVOLUTIONARY STAGES OF GLOBALLY RESPONSIBLE LEADERSHIP

| THE DIMENSIONS OF THE EVOLUTIONARY STAGES | ELEMENTARY | COMMITTED | TRANSFORMING |
|---|---|---|--|
| Time | Past | Present | Future |
| Performance time | Individual and the organization | +Society | +Humankind |
| Way to perform | Meet legal norms. Takes ownership of that which has been solved in the past and adapts it to current reality. | Criticizes and accuses existing deviations to take ownership of the potential that is present in reality. | Creates new realities to take ownership of that which can be done, thus generating longevity and sustainability. |

Based on this ranking, and with the action areas of Globally Responsible Leadership at hand, as set forth by GRLI, we can prepare a Globally Responsible Leadership Positioning Matrix at an organization, as Shown by the figure below.



| | The company's reason for being | Leadership and ethics | Corporate statesperson |
|---------------------|---|--|---|
| Elementary | An essentially financial logic Meeting legal norms | Protect the company's interests within a market ideology | Direct impacts on Stakeholders linked to the company's presence in the market |
| Committed | Commitment to competitiveness within the value chain to improve its market position | Recognizes the company as an independent social body that generates value in the present | Direct and indirect impacts, taking market and society agents into account |
| Transforming | Committed to a global view of the social process and sustainable development | Supports proactive actions and strategies within a system of values that recognizes societal interdependence and long-term business development Projects new realities for the future | Active contribution towards social well-being Open debate and political will to change social regulations and governance at both local and global levels |

RECOPE current and desired positions (in the short and mid-term future) within this matrix were assessed both during individual interviews and at Workshop 1 with top executives, and ratified at Workshop 2 with company directors. The ratification of the positioning is illustrated in the figure below.



GLOBALLY RESPONSIBLE LEADERSHIP POSITIONING MATRIX – RECOPE

| | The company's reason for being | Leadership and ethics | Corporate statesperson |
|---------------------|--|---|---|
| Elementary | An essentially financial logic Meeting the needs of shareholders | Protect the company's interests within a market ideology | Direct investment in the company to the benefit of shareholders |
| Committed | Compete in the market to create value for shareholders | Recognize the company as an independent body that generates value in the market | Direct impact on the market and stakeholders |
| Transforming | Committed to a global view of the social process and sustainable development | Support and sustain actions within a system that recognizes societal interdependence and long-term business development Project initiatives for the future | Active contribution towards social well-being Open debate and political will to influence social and local governance Active contribution towards social well-being |

6. GUIDELINES, STRATEGIC GOALS AND ACTIONS

The guidelines defined during Workshop 1 were aimed at guiding the company along its path to develop Globally Responsible Leadership. A group of top executive representatives received a delegation so that, together with our team, they would deal with such guidelines so as to improve performance at Workshop 2. This led to one guideline and four strategic goals, as described in the chart below.

| GUIDELINE | STRATEGIC GOALS | |
|---|-----------------|---|
| Align company activities with social and environmental responsibility, with direct actions linked to services and product quality, human resources, environmental and social projects, investment projects and processes (4,5). | SG1 | Instruct AUI and Managers, Directors and Heads of Departments to promote: <ul style="list-style-type: none"> • Skills-building Processes; • Deregulation Processes; • Speedy procedures; • Process modernization; • Strategic Plan internalization |
| | SG2 | Incorporate CSER (6) activities into project and process management so as to contribute to improve the economic and social standards of the communities where RECOPE operates (1). |
| | SG3 | BSR must be translated into specific and/or permanent and systematic projects aimed at the company's value chain (3). |
| | SG4 | Take ethics, leadership, values and competitiveness into account as criteria to select, develop and motivate the staff (5). |

It should be observed that the Strategic Goals are quite clearly aimed at four fields of action:

- SG 1: negotiating conditions and internal process management of the business;
- SG 2: relationship with the surrounding communities;
- SG 3: relationship with the value chain;
- SG 4: people management.

With these definitions at hand, we coordinated their unfolding into projects and actions to be developed by RECOPE during Workshop 2. Thirty-six (36) projects related to the strategic objectives were set out. The team of professors then became responsible for presenting a suggestion for setting priorities based on the impacts of each action/project on Globally Responsible Leadership areas of action.

The actions and projects, as well as the suggestion for setting priorities, are presented in Annex III.

7. OBSERVATIONS AND RECOMMENDATIONS BY THE TEAM OF PROFESSORS

7.1 Observations on Globally Responsible Leadership areas

a. Reason for Being

The Reason for Being proposed by Globally Responsible Leadership is to create economic and social progress in a responsible and sustainable way. At company's Reason for Being is partially revealed by its mission, vision and values statements, but it effectively reveals itself in the way it acts when doing business. So that the aspects linked to this area can be assessed and enhanced, it is therefore necessary to deal both with the level of institutional discourse and with the level of planning and management policies and processes.

The document analysis carried out in this area centered on the RECOPE Mission, Vision and Values statements and on its strategic plan, which can be found on the company's website. There were questions in the interviews that were directly aimed at checking the degree of awareness and commitment to such statements.

The company states that it is concerned with contributing to the general well-being through economic progress. This concern becomes more evident in the RECOPE mission and vision statements.

- **Mission:** "We are a State-Owned Company based on the knowledge and talent of our employees, dedicated to the fuel industry, with related products and services, supplying them to our customers and to Costa Rican society efficiently and with quality, social and environmental responsibility, thus contributing to Costa Rica's sustainable development."
- **Vision:** To be the leading company in the fuel market both nationally and regionally, with related products and services, through the creative and innovative management of human and technological resources to potentialize the country's competitiveness in an environmentally sustainable way, thus adding value to Costa Rican society and to its customers."

Nevertheless, an analysis of the four strategic goals set out by the company's strategic plan shows that the intention to contribute to the common good fades as it grows closer to determining the company's concrete actions. What then predominates is conformance to the logic of market competitiveness, positioning harmony with the environment as a driver of external relations.

RECOPE strategic goals in the 2009 Strategic Plan

- *Strengthen the company so it will be competitive.*
- *Improve the management, efficiency and productivity of its processes by aligning the operational to the strategic side of the business so that its performance indexes can be recognized as the highest in the region.*
- *Expand our range of businesses throughout the fuel chain, other related products and services, thus enhancing public and private worth.*
- *Position RECOPE S. A. as a leading company by developing customer service and knowledge cultures, in harmony with the environment.*



The strategic plan's building process, and its content and management, will therefore present themselves as natural fields to enhance Globally Responsible Leadership at RECOPE.

b. Ethics and leadership

Globally Responsible Leadership proposes ethics based on the values of Justice, Freedom, Honesty, Humanity, Responsibility & Solidarity, Sustainable Development, Tolerance and Transparency.

The work carried out in this area therefore requires that not only the content of the values proposed by the company should be assessed but also the other means used by it in its practice, and obviously, its effective practice.

We could perceive that the values formalized by RECOPE and described in the table below recognize societal interdependence and long-term sustainable development. On several occasions the interviews illustrated the practice of these values at RECOPE and we could perceive that they are actually criteria on which the company's collaborators base many of their routine decisions.

However, we noticed the absence of Leadership Training and Development programs that could reinforce and disseminate such values throughout the organization.

Values proposed by RECOPE

Relentless pursuit of excellence in processes, products and services: constantly concerned about and carrying out concrete actions to supply products and services that will meet customers' expectations in terms of time, cost, quality and efficiency in the processes applied to all the stages in the production chain, with the aim of protecting health and the environment and ensuring industrial safety.

Commitment to the fulfillment of its responsibilities and results: an attitude of commitment and responsibility to the attributed tasks by visualizing them as part of a broader whole and as key elements to the company's global success.

Orientation towards customer service: a permanent attitude of respect and concern as regards the needs our customers, internal, external, and final consumer, as well as a constant survey of their needs.

Teamwork and convergence of efforts: an investment in efforts to achieve the company's strategic goals, aligning individual and group goals with those of the organization.

Transparency, both internally and in the face of public opinion: company actions, and those of its employees, in accordance with laws, technical criteria and ethical principles, as well as appropriate information to stakeholder institutions and citizens.

c. Corporate Statesperson

Globally Responsible Leadership implies a permanent commitment to the common good. It is in relations with the various stakeholders that it is possible to set out this position.

RECOPE maintains a strong presence in the communities it operates in and we noticed its leaders' constant and genuine concern about the state of these communities. We also noticed the influence of the company on Costa Rican society, mainly through its directors; through its collaborators' participation in social and class entities; and through its participation in preparing the country's planning documents, such as "The State of the Nation".

Nevertheless, we believe that there is the potential for much more at RECOPE due to its importance to the society it operates in. Thus, we would like to suggest that the company should enhance its actions as a corporate statesperson by proactively, and from a humanistic vision, influencing development policies in Costa Rica and in the region as a whole.

7.2 An assessment of the alignment between the action plan and the desire to advance

It is now time to assess if the actions defined in Annex III can fulfill the desire to advance that was revealed by the group of company managers, as shown in the Globally Responsible Leadership Positioning Matrix – RECOPE displayed in chapter 5.

The Matrix reveals that:

- The advance desired in the Reason for Being area is smaller than in the other two areas,
- The advance desired in the Corporate Statesperson area is greater than in the other ones.

As regards the set of actions in Annex III, the assessment of the influence (little, average or strong) of each one of the actions in the three GRL areas allows us to set weights to assess the strength of the set in the advance to be promoted. The chart below displays weights based on the attribution of different weights for the actions (weight 1 for little influence, 2 for average, and 3 for strong).

By analyzing the chart it is possible to see that there is an alignment between the strength of the set of actions and the desire to advance.

| Strategic Goal | Influence | Reason for being | Ethics and Leadership | Corporate statesperson |
|---|-----------|------------------|-----------------------|------------------------|
| OE 1. Instruct AUI and Managers, Directors and Heads of Departments to promote: (a) Skills-building Processes; (b) Deregulation Processes; (c) Speedy procedures; (d) Process modernization; (e) Strategic Plan internalization | Little | 7 | 3 | 2 |
| | Average | 5 | 10 | 6 |
| | Strong | 3 | 2 | 7 |
| | Weighed | 26 | 26 | 35 |
| OE 2. Incorporate CSER activities into project and process management so as to contribute to improve the economic and social standards of the communities where RECOPE operates. | Little | 3 | 2 | 1 |
| | Average | 1 | 1 | 1 |
| | Strong | 2 | 3 | 4 |



| | | | | |
|--|---------|-----------|-----------|-----------|
| | Weighed | 11 | 14 | 17 |
| OE 3. BSR must be translated into specific and/or permanent and systematic projects aimed at the company's value chain. | Little | 2 | - | - |
| | Average | 3 | 4 | 3 |
| | Strong | 1 | 2 | 4 |
| | Weighed | 11 | 14 | 18 |
| OE 4. Take ethics, leadership, values and competitiveness into account as criteria to select, develop and motivate the staff. | Little | 2 | - | - |
| | Average | 5 | 5 | 4 |
| | Strong | 2 | 3 | 4 |
| | Weighed | 16 | 19 | 20 |
| Total Weighed Influence | | 64 | 73 | 90 |

7.3 Prioritizing actions

A critical reading of the actions in Annex III will suggest recommendations for prioritizing, first of all, the actions that cause greater systemic repercussion, mainly when taking implementation logic into account. Thus, the team of professors suggests that the company should consider prioritizing a set of 10 of these actions, which are described below:

SG 1: negotiating conditions and internal process management of the business

Action 1: learn about and apply accreditation processes.

The following are the renowned accreditation models in the field of business responsibility management:

- ISO 14000: environmental management system;
- OHSAS 18001: health, safety and workplace environment management system;
- SA 8000: human rights responsibility management system.

It is usual to integrate more than one of these systems (and also the ISO 9000 one) into a single Integrated Management System, as all of them have structural and operational elements that are superimposed and that can be easily complementary.

ISO 26000 will be the worldwide norm for business social responsibility, although there is no intention to create an accreditation system. This is justified by the fear that trade barrier mechanisms could be set up that might hurt exactly those countries where there is the greatest need for responsible companies. However, the company should monitor the final stages of approval for this norm (which should be finalized in 2011), as its preparation process congregates the main market, government, social and environmental forces worldwide.



Action 2: encourage debates with government authorities to change the law so it will allow RECOPE to be a proactive CSER agent.

There are situations in which, due to its material resources, to the quality of its staff or even to its mere presence, a state-owned fuel company can have exclusive conditions to intervene in social and environmental issues. Many of these issues can also accrue gains to the company's business. The example that is usually mentioned throughout this task is that of donating asphalt to the municipalities. Several examples by Petrobras in Brazil were pointed out during the presentations at the workshops and they are available on the company's website.

Such situations configure responsibility that goes beyond mitigating its direct or indirect impacts: there is responsibility as regards its potential. From a RECOPE point of view, such situations should be identified working jointly with legislators and government authorities to negotiate the elementary regulations that will allow the company to enhance its presence in Costa Rican society.

Action 3: greater participation by middle managers in the preparation of the strategic plan and results feedback. Implement discussions about the plan.

Despite the testimonials about the participative process used to prepare the strategic plan, some managers manifested a feeling of having been excluded. The causes may lie both in the process itself and in people's attitude. In a company that carries out planning it is not possible to imagine developing an effectively responsible leadership without the participation of leaders at the planning stage itself. It is necessary to review the process and the content of the plan so that people will be involved naturally and inevitably.

Action 4: carry out a business BSR diagnosis (internal and external)

This diagnosis should be based on a previously tested and consolidated model. In general it is necessary to bring together the stakeholders, identify their interests and find out how the company has dealt with them at all levels and places in the organization. The resulting overall and organized view will make it possible to rationalize complementary and similar actions, plan new initiatives and establish an effective monitoring and management process.

Action 5: POIS - actions without \$.

Seek to develop and prioritize social and environmental responsibility projects that will not require significant expenditures as regards financial resources (social technologies): products, technologies or methodologies that can be reapplied, that are low-cost and linked to RECOPE activities, and that create employment opportunities for the communities that surround company facilities, thus representing effective social-change solutions. Seek to involve some of the company's stakeholders in the process by sharing experiences. We would like to suggest checking the site that has information about the Social Technology Network in Brazil: <http://www.rts.org.br/rts/tecnologia-social>.

SG 2: relationship with the surrounding communities

Action 6: promote the approach to communities

An approach to the surrounding communities must be preceded by setting down the company's strategic intentions as regards its relationship with each one of them. This dialogue must be very well planned and led so as not to create expectations in the community that will be frustrated later on. To carry out this dialogue it is necessary to:

- Identify the demands of the community by always looking at demands for the future and not to remedy the deficiencies of the past;
- Identify other entities that work with the community, whether business related or not, so as to create partnership processes that will reinforce the convergence of these various actions on citizens;
- Identify leaders and opinion makers.

This relationship must be carried out under professional management and receive the appropriate amount of knowledge and external support. It is primordial to take a long-term management view, which requires integrating this relationship to the company's strategic plan, as social action is more effective and needed when it will simultaneously meet the interests of the company, the community and society.

SG 3: relationship with the value chain

Action 7: drive the study, investigation, and development of alternative energy sources.

The energy market will undergo radical changes in the next years. The model based on fossil sources is bound to be exchanged for another one whose characteristics will be friendlier to the environment and which will more effectively promote social inclusion and development. This is what has been happening in countries that have been developing their electric, solar and wind energy generation systems. The speed and intensity with which such replacement will happen will become clearer in the following months during the debates that will be held after COP-15, which happened in Copenhagen last December.

As regards RECOPE, as fuels are its business, such a situation brings about some uncertainty, since at the same time when society increases its demand for fossil fuels it can be irresponsible to do so without preparing the country for a future in which the presence of other fuels will be inevitable. The economic, social and environmental costs of such an attitude may be very high for the nation. The company's investments in oil refining could be rethought for a reality that would also incorporate alcohol, for example.

On the other hand, the biofuel business models being developed in several countries signal some very positive aspects for Costa Rica. Besides their lower ecological footprint, they make production and income possible in the countryside. Even with the low availability of land in the country, a non-concentrated production model that would make small-scale production feasible (distributed production) and be locally consumed might be seen as very desirable not only by the population but also by the central government.

Another strategic aspect is related to the company's regional presence. By mastering the economic, financial, technical and political technology of biofuel production, the company would immediately be able to lead or take part in production in other countries in the region.

SG 4: people management

Action 8: setup a globally responsible leadership program

Skills-building should be articulated in the three areas that were dealt with: reason for being, ethics, and corporate statesperson. The knowledge needed to formulate the specifications for such skills-building is reasonably available in the documentation of the international initiative on its site (www.grli.org). As regards the methodology, it is evident that it must not be restricted to classroom teaching, and it is necessary to promote supervised contacts and experiences in relationships with social groups and environmental issues.

Action 9: define a system to measure globally responsible leadership culture and complement it with recognition mechanisms

There is no known measurement system model specifically developed for Globally Responsible Leadership. There are ongoing initiatives within GRLI that have not been finalized yet. Thus, RECOPE would either need to have recourse to a team that would develop such a system or create its own measurement criteria.

And such recognition must be conceived as a driver, but mainly as an exemplifier that will help inspire all the leaders at the company.

Action 10: improve personnel recruiting and selection processes, as well as performance assessments.

All the people management systems and tools should be reviewed to verify and guarantee their adherence to promoting globally responsible leadership at the company. Special care must be taken with the processes used to hire management training and with recognition systems.

7.4 Recommendations for complementary actions

1. Global Compact

Joining the UN Global Compact may become an important external anchor that will bestow guidance and consistency to Globally Responsible Leadership at the company. The Pact's credibility is an important asset to guarantee focus and importance even when changes are made as regards the company's top executives on the occasions when the country's government changes.

2. Sustainability Report

Producing a sustainability report can help the company in all its relations with its stakeholders. As regards globally responsible leadership at the company it would not only be practicing the value of transparency but it would also be making a source of inspiration and planning available to its leaders.

The model we recommend follows the Global Reporting Initiative - GRI. It is clear that the "State of the Nation" annual reports are an excellent reference to define the materiality of the indicators that should be reported.

3. CoRA –Costa Rica, CoRA-ARPEL

GRLI is an initiative that brings together companies and schools from several countries in an effort to create a generation of globally responsible leaders. Its foundation is that changes in content and in educational methodologies in schools must be compulsorily followed by changes, as cause and consequence, in the hiring, remuneration, promotion, education, development, encouragement and dismissal criteria at the companies. Although companies may follow the model used by FDC in this task, the schools should carry out similar work by following the precepts of the Principles for Responsible Management Education – PRiME.

As it has noticed the need to multiply this initiative, GRLI has created and institutionalized the concept of Community of Responsible Action - CoRA. It replicates the international initiative at the local or industry dimension.

As a result of this task carried out at RECOPE we have set up a channel with INCAE that will make it possible, besides meeting the direct interests of both organizations within a contract relationship, to create the embryo for a CoRA Costa Rica, which may bring together the country's companies and schools to create a new generation of globally responsible Costa Rican leaders.

Furthermore, should it be possible to take new steps similar to the one taken at RECOPE at other companies associated to ARPEL, it will configure a situation that will be very favorable to creating a CoRA-ARPEL. RECOPE can adopt a proactive position as regards this idea, as it is a pioneer at creating an environment that can become very rich with the interaction among the companies in this industry.

4. Turtles in Costa Rica

The Internet shows news articles and images that denounce the practice of gathering and selling turtle eggs on Costa Rican beaches (see the photos below). Should it be true, such news inspires a concrete possibility for RECOPE to exercise globally responsible leadership.



There is a project in Brazil named Projeto Tamar that is especially dedicated to changing this kind of situation which was common in the country up to a few years ago. Petrobras sponsors the project which has saved over 10 million "tortuguitas" while turning this activity into a profitable and sustainable tourist-economic venture. With an easily implemented partnership it will be possible to create conditions to "sembrar un granero de tortugas" in Costa Rica, generating jobs with the support from RECOPE.

5. Haiti

The recent events stemming from the earthquake in Haiti demand that globally responsible leaders throughout the world take a proactive position to rebuild what has been destroyed or even go further into developing that country. Its geographic nearness brings greater responsibility to Costa Rica.

How can RECOPE leaders help to conceive a sustainable and inclusive fuel acquisition, refining, production and consumption system for Haiti?



8. CONCLUSION

The qualitative assessments and the opinions of the professionals and executives we were pleased to spend time with for some days during the workshops in which we worked together are very important to continue to carry on our work as disseminators of ideas and action proposals which, if jointly developed – company < > school - will certainly contribute to those companies that open themselves to the opportunities we offer, with precious support from ARPEL and CIDA, to inaugurate a NEW ERA in their relations with their stakeholders, thus contributing to IMPROVE THEIR LIVING STANDARDS besides continuously enhancing the company's REPUTATION among the society within which it is present.

We present below the translation to English of some feedbacks received from RECOPE professionals and executives at the end of our work in Costa Rica:

"... Thanks for sending the presentations.

As RECOPE employee, I would like to thank the opportunity to participate in workshops on Corporate Social Responsibility, which I think was a great way to start this process of change things in how they had been done so far. This change leads us to rethink our role in society and the responsibility we have to socially and environmentally. I know that our Company has undertaken extensive efforts to present itself to the communities, to protect the environment, and so on. But it is not enough, we can do more and this activity helped me to realize realities that I was unaware of and turn in my desire to work and cooperate as appropriate to achieve the changes required to our company. We were also presented the example of PETROBRAS and how they have changed in recent years. What thrilled to think is that if they did, we too can succeed, with hard work, effort and dedication.

The topics were appropriate for the awareness and commitment. I found the methodology excellent, with high quality materials, including some pre-readings which allowed us to have a notion of what was going to happen during the workshop. The instructors have comprehensive mastery of the subject thus enriching their own experiences, which I thought was excellent and the most important thing was to put participants to work, creating ideas, proposals, etc. Giving them feedback on what had been captured and to reinforce what had not been clear. All this activity resulted in a dynamic, participatory and a high level of learning. I do not want to mention the ability to motivate which could see in every one present.

I do not omit, I want to congratulate you for this excellent activity, which among other things seeks to involve everyone in this new process that is unfolding in our institution.

With regard to CSR Workshop, let me state the following:

- 1. The high level of expertise of the speakers on the subject is a point worth highlighting.*
- 2. The experience developed by Petrobras in the subject and its implementation in the company was very well directed. They helped RECOPE to establish future challenges within our means, they did not sell a model to copy. The contrast was very clear, and we all have a great responsibility in this matter. We have to define how to develop the task in the future.*
- 3. The methodology used for the course allowed participants to see immediate results from their contributions.*
- 4. It was not a workshop where the exhibitor provides knowledge, participants will receive and in the end no positive results for the organization. In this case, each activity was documented by the exhibitors and participants always had the option of exchange views, leaving evidence of good planning methodology.*



5. *There was a continuous feedback between participants and exhibitors, to clarify concepts, terms and applications to the RECOPE case.*
6. *The workshop generated results in each of its activities, so there can be following up in other stages of the project.*
7. *The activity was very practical but with much technical support for participants to receive the theory and immediately apply to business management.*
8. *The open environment in which the exhibitors managed the group, to find that participants could make their proposals and give criteria on the subject.*
9. *A great communication skills of all exhibitors.*
10. *Excellent management of time and resources available.*
11. *The course did not cause fatigue, and a general comment was that the methodology of the workshop enabled the interaction with the exhibitors and colleagues from other areas and units, to reflect on an important topic in a relaxed and empathy environment.*
12. *The documentary support was the necessary and the presentation was very good.*
13. *There was always the aim of generating interest in the subject.*
14. *Clarity of objectives and therefore the share the final results, which were not the views of the exhibitors, but the contribution of all participants.*

On the future of CSR project let me state the following:

1. *Our personal commitment to deliver whatever we can do.*
2. *The link to the Department of Health, Environment and Security, and the Distribution and Sales Area in the project. Aside this, the interaction with the SAS Committee shall make a homogeneous effort at Recope.*
3. *To support the actions and activities that the Planning Department will set for 2010 in this area.*

Finally, I thank the invitation to participate in this important event, personally and professionally has been of great benefit. In addition I would like to congratulate you and your work group, which made the efforts to this event, taking care of all logistical details and content. "

Thank you very much for your trust and for allowing us to express our ideas and show you some examples of what we hope can be multiplied through actions taken by RECOPE in your country.

Costa Rica and its lovely people well deserve it. PURA VIDA!

Cláudio Boechat, Izeusse Braga y Rudolf Gabrich

The regional association of oil and natural gas companies in Latin America & the Caribbean

ARPEL is the regional association for oil and natural gas companies in Latin America & the Caribbean. It has 26 members that are state and private oil and gas companies and institutions operating in the region. Its members represent more than 90 percent of the region's upstream and downstream operations.

ARPEL works to promote and facilitate the development and integration of the oil and natural gas industry in Latin America and the Caribbean, strengthening its reputation and its interaction with the society. Its activities focus on: exploration and production, refining & fuels, pipelines & terminals, environment, health and safety, social responsibility, climate change & energy efficiency and human resources and knowledge management.



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