



CSR/SME

Promoting Social Responsibility
in Small and Medium Size Enterprises

CORPORATE SOCIAL RESPONSIBILITY

STATE OF THE ART
IN ITALY

2004

EDITORIAL

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FOREWORD



This report is the first product conceived in the framework of the “CSR/SME – Promoting Corporate Social Responsibility in Small and Medium Size Enterprises” project, an European project developed with support from the Leonardo da Vinci Programme, promoted by CECO (a Vocational Training Centre for Trade from Portugal) and having partners from Austria, Estonia, Italy (**FRAREG**), Hungary and The Netherlands. The project will last until the end of 2005.

This report along with similar reports from the other countries belonging to the partnership and a highlights report with comparative and synthetic data from the different countries, constitute the final report on the “State of the Art” on Corporate Social Responsibility (CSR) on the countries belonging to the partnership.

The main goal of this work was to collect and organise relevant information to the project next phases. We are fully aware of the limitations and the credits resulting from the context in which the report was produced. This is not, therefore, a finished work, but a working document that should and must be improved in the coming future.

The data collection occurred until May 2004 reason why, all the information must be read taking in consideration this time framework.

The report structure was inspired in the Green Paper from the European Commission “Promoting a European Framework for Corporate Social Responsibility”.

In this report as well as in all the project, the accepted definition of Corporate Social Responsibility (CSR) is the one adopted by the European Commission in the Green Paper in which CSR is described “as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

We are aware of the fact that some of the subjects were not treated as deeply as they deserved. Considering the wide structure we choose, we dealt with many difficulties gathering information. Even thus we preferred to choose a more wide structure that could enable us to understand the long path we have yet to walk.

EXECUTIVE SUMMARY

According to a study carried out in 2003 by *Unioncamere* (the Italian Union of Chambers of Commerce) in cooperation with the *Istituto per i Valori d'Impresa* (ISVI - Institute for Corporate Values) business size deeply influences companies' stance on social responsibility. This connection results from all the main factors:

- As far as the knowledge of CSR issues and tools are concerned (Green paper, code of conduct, environmental statement, social statement, SA8000, EMAS/ISO 14001), percentages related to smaller and small enterprises occupy a position considerably below the others. It is interesting to observe that 55.0% of enterprises with less than 20 employees do not know any of the above tools, whereas these percentages go down as size increases, concerning only 31.6% of medium enterprises and 15.2% of large enterprises;
- The initiatives in favour of the community (donations, sponsorship, etc) increase in connection with size. Particularly, experiences of social responsibility-related advertising and cause-related marketing are almost non-existent in smaller and small enterprises;
- In their relationship with customers and suppliers, large companies require twice as much statements/certificates for their suppliers compared to smaller enterprises; in that case, values related to small enterprises are already considerably close to those of larger enterprises;
- As far as environmental protection programmes are concerned, the growth connected with size is exponential – for instance, programmes of energy consumption reduction for the four business sizes (5.9%; 8.1%; 12.3%; 32.5%);
- As far as the management of staff relationships is concerned, differences concern health care, activities related to spare time and communication tools;
- For all management systems related to some CSR aspects the degree of adoption is very uneven between medium and large companies as pointed out by data concerning social statement (from 3.0% to 10.2%) and environmental certification (from 3.5% to 21.4%).

The limited commitment of small and very small enterprises can be explained by a number of reasons:

- The interventions in favour of co-workers and the community, often carried out by the people in charge in these enterprises, are usually executed on a personal basis and according to unstructured means, thus making an objective observation impossible;
- All life expressions of these enterprises are characterised by a low degree of formalisation;
- Financial resources which can be invested in CSR activities are limited, therefore the range of noticeable actions is reduced;
- If the channel of trade is made up of few companies for which a sub-supplier activity is carried out, initiatives promoting corporate image will not be so relevant.

The survey outlined the following areas in which smaller enterprises are active:

- The tools expressing values and guiding principles are quite well-known (25.4% for smaller enterprises and 37% for small ones), as well as ISO 14001 environmental certification and EMAS membership (18.7% for smaller enterprises and 31.7% for small enterprises);
- A large number of enterprises belonging to the first two business sizes makes money donations (25.3% and 41.8% respectively) and sponsorships (26.2% and 39.4%) on a regular basis;
- A high percentage of enterprises requires from their suppliers a quality certification of the product/service (32.5% and 50.1% respectively) or adopts it directly (20.4% and 42% respectively);
- Enterprises with 20-49 employees implement many practices in favour of employees: flexible hours (46.3%), meetings on a regular basis to present strategies and results achieved (58.7%), training for more than 20% of the staff (39.2%).

On one hand, the degree of satisfaction regarding the various CSR practices adopted- a certain prevalence of positive judgement by large companies is observed- presents above-average values in almost all cases.

On the other hand, two set of variables are observed: for some interventions/tools particularly demanding for companies (social statement, environmental statement, actions in favour of the community) the percentage of positive judgements is noticeably higher in large companies; with regard to initiatives this gap is very small or almost non-existent.

The high degree of satisfaction regarding CSR-related actions is confirmed by another piece of information: in most cases, enterprises which began the CSR activity intend to confirm their commitment for the future.

Over the last five years, requests of statements/certifications by customers experienced a linear and remarkable growth, showing the increasing importance of the supply chain ethical control (working conditions and hours, child labour, protection of female work, etc.)

In general, Italian companies show a positive attitude towards CSR. Enterprises seem to be engaged in socially responsible activities using several tools: specific programmes concerning social issues, sponsorships, donations, adoption of codes of conduct. Meanwhile, for several companies CSR is still an occasional topic, not closely related to the business strategy.



CHAPTER 1. INTRODUCTION

1.1. Country Description

1.1.1 Population

Italian population is 57.844.017, 38,3% are working, 26,2% aren't working, female 60,1%.

1.1.2. Economic Performance

GNP is 0,2%; in March inflation recorded +0,3%.

1.1.3. Structure of the Corporate Sector

Italy shows a very special industrial system, characterised by the prevalent diffusion of small and medium enterprises and of industrial districts. The average of number of employees in Italian companies is about 3,9 against a EU average of more than 6 (Germany 8, France 7, United Kingdom 6, Netherlands 10). Industrial districts are concentrated in the North and central Italy, along the Adriatic coast and in few areas of the South in some traditional and engineering industries; some of them have a leadership position on the global market and account for over two-thirds of total exports.

Traditionally, Italian small and medium enterprises are an integral part of the local community and their success is related to their ability to obtain legitimacy and consensus among the local stakeholders. These local networks are based on informal relationships, whose results are often not communicated, or simply, not measured.

1.1.4. International Conventions Subscribed

The most important conventions subscribed in Italy are:

- 🌐 CSR (Corporate Social Responsibility)
- 🌐 UDHR (Universal Declaration of Human Rights)
- 🌐 KIOTO'S CONVENTION (for environment's natural care in Europe)
- 🌐 ICCPR (International convention about civiler and politic rights).
- 🌐 CRC (convention about children's rights)

1.2. CSR History in Italy

In Italy, because of historical (e.g. importance of the cooperative movement) and structural reasons (the predominance of SMEs), the attentiveness to the social relationships of companies has remarkably characterized the Italian national economic system.

Furthermore, facing the rising attention paid by the public opinion to environmental protection, product safety and the respects of human and workers' rights, institutional actors have started promoting socially responsible behaviors among enterprises.

1.3. CSR Overview

There are many definitions of CSR. Bowen [1953] provided the first modern contribution to this topic. He pointed out that corporate decision making processes have to consider not only the economic dimension, but the social consequences deriving from their business behaviour as well. In particular, Bowen proposed a definition of the social responsibilities of the businessman: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". In Bowen's opinion, businessmen are responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements [Carroll, 1999].



The CSR concept also evolved in the following years despite some scepticism [Friedman, 1962 and 1970] and many authors (especially Drucker [1984] and Porter, Kramer [2002]) have underlined the positive relationships between social responsibility and business opportunities in terms of market opportunities, productivity, human competence and improvement of the competitive context (i.e. "the quality of the business environment in the location or locations where companies operate" Porter, Kramer [2002], p. 6).

However, in the field of business ethics many authors are against a shared conception that CSR is only an instrument "for improving business functioning" [Zsolnai, 2002]. Business activities and business operations need an ethical foundation, as what has happened in the last few years and months not only in the USA but also in Europe has demonstrated.

In any case, policy makers, citizens and companies are paying increasing attention to CSR. According to the U.S.-based global business organization Business for Social Responsibility (BSR), corporate responsibility (or corporate citizenship) means "...operating a business enterprise in a manner that consistently meets or exceeds the ethical, legal, commercial, and public expectations society has of business".

The World Business Council for Sustainable Development (WBCSD) [1999] proposed another definition of CSR: "CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Another interesting definition of CSR comes from the Prince of Wales International Business Leaders Forum: "CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders".

In order to promote the idea of corporate citizenship and socially responsible behaviours, at the World Economic Forum in Davos on 31 January 1999, United Nations Secretary-General Kofi Annan challenged world business leaders to embrace and enact a *Global Compact* of shared values and principles in the areas of human rights, labour and the environment. From an operational point of view, the initiative was launched on 26 July 2000 during a meeting at the UN headquarters in New York with the participation of leaders from business, labour organizations and civil groups.

The Global Compact is a voluntary initiative, open to the participation of companies and to the involvement of labour, human rights, environmental and development organizations. It encompasses nine principles, drawn from the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Rio Declaration on Environment and Development. If companies decide to participate in this initiative, the Global Compact asks them to act on these principles in their own corporate domains. Thus the Compact promotes good practices by corporations; it does not endorse companies. The Global Compact asks business to support and respect the nine principles in the fields of Human Rights, Labour Standards and the Environment. Some of the most important firms in the world are among the participating companies, all of whom have sent a letter of intent from the company CEO to the UN Secretary-General and who submit every year evidence of efforts undertaken to advance the Compact's nine principles; they include ABB, Aventis, BASF, Bayer, BP, BT, Cisco Systems, Credit Suisse Group, DaimlerChrysler, Deloitte Touche Tohmatsu, Deutsche Bank, Deutsche Telekom, DuPont, France Telecom, Ketchum, Nike, Novartis, Rio Tinto, Royal Dutch Shell, SAP, Statoil, ST Microelectronics, Storebrand, UBS AG, Unilever and Volvo.

The European Union too is also dealing with the issues related to CSR. On 18 July 2001 the European Commission presented the Green Paper "Promoting a European framework for CSR" [Commission of the European Communities, 2001b]. The European Union is concerned with CSR because it can be a positive contribution to the strategic goal adopted in March 2000 during the European Council in Lisbon: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". The Green Paper has the objective of launching a wide debate on how the European Union could promote CSR at both the European and international level, for example through exploiting the existing experiences, encouraging the implementation of innovative practices, bringing greater transparency and increasing the reliability of different initiatives in the field of social and ethical accounting, auditing and reporting. The document suggests an approach based on the strengthening of partnerships among all interested parties (for example, companies, NGOs, social partners and local authorities). After the consultation process on the Green Paper closed on 31 December 2001, the European Commission began work on a new document. The new Communication entitled "CSR: A business contribution to Sustainable Development" was released on 2 July 2002 [Commission of the European Communities, 2002b].

According to the Green Paper, "CSR is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment". An increasing number of companies

recognise social responsibility as part of their identity. This responsibility affects employees and more generally all stakeholders (amongst others shareholders, customers, suppliers, banks and insurance companies, retailers, competitors, State and local authorities, civil society at large and the media) and this in turn can influence corporate success.

The Green Paper identifies four factors which lie behind the growing success of CSR concept:

- the new concerns and expectations of citizens, consumers, public authorities and investors in the context of globalisation and large scale industrial change;
- social criteria, which are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors;
- increased concern about the damage caused by economic activity to the environment;
- transparency of business activities brought about by media and modern information and communication technologies.

The European Commission proposes a framework to better understand the different elements of CSR: according to this approach, CSR has an internal and an external dimension.

The CSR internal dimension encompasses human resources management; occupational health and safety management; business restructuring; management of environmental impact and natural resources.

The CSR external dimension, which goes beyond the doors of the firm and involves many stakeholders, affects local communities; business partners, suppliers, customers and consumers; protection of the human rights along the whole supply chain and global environmental concerns.

Therefore, in order to respond in an adequate way to the pressures coming from the society of which companies form integral part, firms should pursue economic, social and environmental goals on the basis of a coordinated approach. Companies should integrate social and environmental concerns into their business strategies, their management tools and their activities. That means going beyond compliance and investing more into human, social and environmental capital.

At last, the EU underlines the need for a holistic approach towards CSR integrated management in order to include social and environmental aspects into corporate planning, measuring and controlling of processes and to define a long-term strategy which minimises the risks linked to uncertainty.

Another interesting contribution to the international debate on CSR came from the G8 Evian Summit 2003. For the first time a G8 Summit Document focused on CSR. According to the G8 Declaration "Fostering Growth and promoting a Responsible Market Economy", "corporate integrity, strengthened market discipline, increased transparency through improved disclosure, effective regulation and corporate social responsibility are common principles that are the foundations for sound macro-economic growth". In the second paragraph headed "Corporate Social Responsibility" the G8 representatives stated: "Consistent with the outcomes of the World Summit on Sustainable Development, we support voluntary efforts to enhance corporate social and environmental responsibility. We will work with all interested countries on initiatives that support sustainable economic growth, including the creation of an environment in which business can act responsibly. We also welcome voluntary initiatives by companies that promote corporate social and environmental responsibility, such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact principles consistent with their economic interest. We encourage companies to work with other parties to complement and foster the implementation of existing instruments, such as the OECD Guidelines and the ILO 1998 Declaration on Fundamental Principles and Rights at Work".

On the basis of this preliminary review the CSR definition and approach proposed by the European Commission appear to be the most comprehensive and up-to-date. Furthermore, they will continue to be the point of reference for future decisions in the field of European public and private policies promoting corporate socially responsible behaviour. The Bocconi University work team has therefore decided to adopt the European CSR framework as the theoretical basis for its research activity.



1.3.1. CSR Situation in Italy

At present, different ambits show a considerable interest on CSR issues from companies and other actors.

Depending on the tool adopted and its impact on corporate processes, we can divide the various initiatives into four main groups: adoption of reports/statements and other reporting activities; adoption of managing and certification systems; financial experiences (ethical investment funds, rating); other initiatives.

The Ministry of Labour and Social Affairs was pleased to accept the proposal of *Unioncamere* (The Italian Union of Chambers of Commerce) to carry out a survey throughout the Italian territory aiming at providing a reference framework on the extent and features related to corporate social responsibility.

The survey carried out is the most extensive study on corporate social responsibility in Italy. It was conducted in July 2003 by means of telephone interviews (carried out with the CATI - Computer Aided Telephone Interviews - method) on a sample composed of 3,663 companies, which was stratified taking into account three structural features: business size, economic macro-sector and geographical areas.

Therefore, from a statistical viewpoint, this sample represents the whole range of Italian companies with at least one employee. The survey questionnaire was prepared with the operative cooperation of experts belonging to the Italian Ministry of Labour and Social Affairs and *Luigi Bocconi University*.

It is divided into six parts, concerning:

- *the CSR knowledge degree* in companies by analysing the knowledge of a number of tools (the Green Paper on CRS promoted by the European Commission, the code of conduct, the environmental report, the social report, the SA 8000 social certification, the ISO 14001 certification and the EMAS registration);

- *relations with the community*: donations, sponsorships, marketing forms related to social responsibility-related causes, purchase of products from subjects carrying out activities of social interest, partnership with no-profit organisations, investments in social responsibility-related activities, etc.;
- *relations with customers and suppliers*: supply chain ethical control, forms of environmental certification of the product, execution of products and services designed to meet the needs of disadvantaged groups;
- *main measures adopted or in course of adoption in the health, safety and environmental sectors*, going beyond the compliance of law requirements. In particular, programmes were examined for reduction of energy consumption, development of alternative energy sources, reduction of water consumption, packaging recyclability, reduction of polluting emissions, noise reduction and waste treatment and disposal;
- *measures aiming at increasing team spirit and motivation among employees*: flexible hours, organised activities for spare time, meetings on a regular basis to present strategies and results achieved, tools for in-house communication, intensity of training proposal and so on.

1.3.2. Main Facts Related to CSR Occurred in 2003

Some entrepreneurial associations, like the *Associazione Bancaria Italiana* (ABI –Italian Banking Association) and *Federchimica*, have operative working groups for these issues and different research centers, technical committees and institutes, which giving important theoretical and practical advises.

Various initiatives aiming at facing different CSR-connected issues – training, environmental system, control of the supply chain, etc. – exist in different industrial sectors/areas – e.g. Sassuolo-Scandiano, Lecco, Lecce, Prato.

Furthermore, various organizations promoted by companies and entrepreneurial associations – among which *Gruppo di Frascati/Cittadinanzattiva*, *Sodalitas*, *Impronta Etica* and *Anima* – work within the framework of CSR with cultural promotion, bestpractice diffusion, stakeholders engagement programs etc.

Still in connection with private initiatives, a remarkably-increasing phenomenon in our context is represented by cause-related marketing activities that are promotional strategies that create a link between social issues and the corporate strategic target.

According to Nielsen Italia observatory of corporate investments aimed at communicating

initiatives of Cause-Related Marketing activities, in 2002, 7,800 ads, amounting to 78,000,000 euros – 0.3% of the advertising market, were realized by 120 companies. These figures, during the first five months of 2003, increased by 96% if compared to the same period of 2002 (5,100 ads for a total investment of about 31,000,000 euros).

1.3.3. Expected CSR Trends

The attention to the corporate social responsibility and the contribution to sustainable development is now an established fact. Beyond multinationals, that pioneered in this field with remarkable signs, other companies are developing new tools and approaches to manage social and environmental issues within the scope of their strategic and competitive activities (on the matter, we make reference to the research carried out by Unione Camere for the Ministry for Labour and Social Affairs). Literature and managerial practices show evidences of the fact that's the company performances depend on various intangible assets such as the value of knowledge and the capability to innovate, the consensus and trust of stakeholders, the reputation, and, last, the availability to contribute to the community wellbeing. Even if many are the research studies that are analyzing the possible connection between CSR and economic-financial performances, a rising number of companies are adopting socially-responsible behaviors.

CHAPTER 2. BUSINESS ETHICS



2.1. Usage of Written Statements – Mission, Vision and Values

The Italian proposal is based on a voluntary approach to CSR and mainly aims at promoting a responsibility culture inside the industrial system and enhancing the awareness of companies on social, environmental and sustainability matters. The Italian Government aims at ensuring a higher degree of transparency and clearness of corporate communications on the initiatives carried out in the CSR field and connected with consumer and citizen protection and benefit. Following the goals set by the European Union, the Italian Government accepts the challenge of involving companies in CSR practices by promoting the Knowledge of adequate managing system and increasing the awareness of the potential competitive advantages resulting from CSR-active behaviours.

2.2. Corporate Governance

The contribution of Italian Ministry of Welfare to the promotion of a European Framework for CSR is the Project called “Corporate Social Responsibility-Social Commitment” (CSR-SC).

The CSR-SC proposal provide for a voluntary “approach” to promote companies’ socially responsible behaviour (CSR) and their active participation in national and local welfare schemes (SC).

At the beginning of 2002, the Italian Ministry of Welfare started to develop the project CSRSC which was officially presented on the 13th of December 2002 in Milan. The CSR-SC Project is the first tangible contribution of the Italian Government to the discussion promoted at the European level by the Commission. The Italian Presidency of the European Union has placed CSR amongst its main priorities and hosts the Third European Conference on CSR. Many seminars and debates arose after the ministerial CSR-SC project launch, contributing to mainstream the CSR concept through Italian enterprises, NGOs, trade unions and institutions.

Principal objectives of the project are: disseminating the culture of CSR and best practices among enterprises; defining a flexible, simple and modular set of indicators; supporting SMEs in developing CSR strategies; safeguarding consumers on the effectiveness of enterprises communication campaign on CSR. The proposal of the Italian Government is based on a flexible, simple and modular Set of Indicators suitable for large, medium and small-sized enterprises, as resulted from a Pilot Test realised on a significant number of enterprises. This set of indicators can be used to prepare a Social Statement in order to account for CSR performance and to respond to stakeholder information needs. This Social Statement can be a useful tool to demonstrate business capacity to develop active social policy in the market and in the community and to participate in some of the rewarding initiatives promoted by the Government.

The CSR-SC Project is a first proposal that is based on a deep and broad analysis and it calls for a further dialogue among all the interested stakeholders. Companies and their associations, trade unions, NGOs have to be involved in this process in order to achieve a shared and fair position.

2.2.1. Codes of Conduct

A code of conduct is a formal statement of the values and business practices of a corporation. A code may be a short mission statement, or it may be a sophisticated document that requires compliance with articulated standards and have a complicated enforcement mechanism. As business becomes globalized, companies are being encouraged by interest groups, governments, educational institutions, industry associations and others to adopt codes of conduct.

In Italy, the Civil Service Department of the Office of the President of the Council of Ministers has reviewed the implementation of the 1994 Code of Conduct for Government Employees, in consultation with the trade union confederations. The Minister for Public Administration has approved the new Code of Conduct that will come in mid-may 2001. The new code reinforces the principles of impartiality, efficiency, responsibility and confidentiality of administrative information already contained in the Constitution and subsequent laws modernising the public administration. Furthermore, regarding the daily conduct of public servants, the code encourages co-operation with citizens and users of services, subsidiarity and simplification of administrative procedures for citizens

and businesses, etc. The revised Code of Conduct is an important step to further promote transparency and integrity, prevent conflict of interest, and complete the process of making public servants responsible for their actions.

Confindustria (Italy) – founded in 1910, the principal union representing the manufacturing and services industry in Italy has a code of ethics for all members based on transparency, integrity, justice, protection of the environment and ethical behaviour. The union represents more than 111,000 enterprises with 4,200,000 employees

2.2.2. Dialogue with Stakeholders

Unioncamere represents the general interests of the Italian Chambers of Commerce, Industry, Craft and Agricultural sectors (CCIAA).

Unioncamere's commitment on CSR began four-five years ago, by supporting a few projects of some Chambers of Commerce, dealing with internationalisation of businesses and their social responsibility. Afterwards, thanks to the tight cooperation with CISE (Special Agency of the Chamber of Commerce of Forlì-Cesena, the only Italian organisation accredited for the SA 8000 certification), Unioncamere has chaired and supervised the "Ethical Work Network" Committee. The Quality Certification and Environmental Management Organisms, as well as some Chambers of Commerce (or their Special Agencies), which locally ensure the promotion and monitoring of CSR, take part to the Committee.

In the last two years, the Committee has elaborated an important contribution to the European Commission's Green Paper (July 2001); together with some members of the *Network*, Unioncamere has prepared for *Eurochambres* (European Chambers of Commerce Association) another report on the Commission's Communication on CSR (July 2002), thus enabling the European Association to participate to the *Multi-Stakeholder Forum*. Unioncamere is now bringing a project to conclusion, co-financed by the European Commission, to inform the enterprises on the issues of CSR. Moreover, Unioncamere is carrying on a study on the demand of "ethical services" coming from Italian SMEs.

These are the basis to provide the information, training and assistance to all SMEs of Italian Regions on the CSR-SC Project, set up by the Minister of Labour and Social Affairs, Roberto Maroni.

2.2.3. Transparency

The Ministry of Labour and Social Affairs intends to give its contribution in developing commonly agreed guidelines and criteria of CSR self-assessment, measurement, reporting and assurance. The Ministry, with the contribution of the Bocconi University, started a series of consultations with primary stakeholders, examined the most successful international practices, realised a survey on 400 Italian enterprises.

These activities have been fundamental for formulating a flexible, simple and modular *Set of Indicators* suitable for large, medium and small-sized enterprises, as resulted from a *Pilot Test* realised on a significant number of enterprises, together with a set of guidelines that can be used by business, on a voluntary basis, in order to self evaluate their own CSR performance.

2.3. Accountability

2.3.1. Financial Reports and Auditing

In Italy accounting is quite a real problem.

Many PME try to avoid to pay corporate taxes. In the last year the government tried to establish new laws in order to avoid accounting manipulation.

2.3.2. CSR Reports and Auditing

Companies started voluntarily reporting on the CSR activities by using manifold reference standards and methods.

Precisely, in Italy:

- there are more than one hundred bodies (companies, no-profit organizations, etc.) that publish social reports;
- there are more that one hundred bodies (companies, no-profit organizations, etc.) that publish an environmental reports;

- there are almost twenty companies that publish sustainability/social-environmental reports, in line with the triple-bottom-line approach that is being established at the international level.



2.3.3. CSR Related Certifications

In Italy there are 52 companies with a Social Accountability 8000 (SA 8000) certification, out of 285 global certifications. Then, Italy has the highest number of certified organizations in the world; In the last few years, there has been a remarkable increase in: ISO certifications 14001 (more than 2.400), OHSAS 18001 certifications, EMAS registrations (146), quality certifications and environmental certifications – Eco-Label (issued for more than 60 groups of products), biological certifications (+23% of sales in 2002 in modern retail), social labels (Transfair), other environmental labels (Forest Stewardship Council - FSC), etc.

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2.3.4. CSR Toolkits

Q-RES management tools (Italy) – guidelines for the management of Corporate Social and Ethical Responsibility in development and improvement processes. The guidelines are designed to help companies improve corporate reputation through specific tools: Corporate Ethical vision, Ethical Code of conduct, Training in Ethics, Organisational Systems of Implementing and Monitoring, Social and Ethical Accountability process, Independent Verification. The model has been developed at the Centre for Ethics, Law & Economics, LIUC University, Castellanza (VA), Italy.

CHAPTER 3. SOCIAL RESPONSIBILITY

A - INTERNAL DIMENSION

3.1. Human Resources Management

3.1.1. Lifelong Learning

The Italian national system of Continuous Vocational Training (CVT) has been involved over the last three years in different and deep changes, both in its priorities and its organisational and juridical structures. Some of the international and national key factors are: • the Lisbon strategy has promoted the coordination among different policies: for example European area of lifelong learning and the employment strategy; in fact, the New European Employment Strategy for 2002 includes new CVT provisions; • the social dialogue has been mainstreamed to manage CVT at different levels. It is involved in the building up of Interprofessional Funds¹ as well as in several public arenas planning CVT policies (local development pacts, training plans financed by national and regional funds, etc.); • National Laws² financing continuous vocational training, ESF Regional plans and ESF System Actions³ have been developed, implementing the public financing of CVT in Italy. Italian system of continuous vocational training key elements are: • The Law 388/2000 has instituted the Interprofessional Funds. These Funds have been designed to promote CVT and are regulated by joint agreements between the most representative social partners in each economic sector. They finance CVT with funds coming from enterprises compulsory contribution of 0,30% of the salary mass. The State control on them will be up to a "National Observatory for CVT", with the technical assistance of ISFOL. Eight Interprofessional Funds have been created at the moment. • The Law 236/93 funds usually finances enterprise training plans. Recent Ministerial directives have prioritised plans aiming to the most difficult target publics (microenterprises, precarious and low qualified workers, etc.). In the period 2000-2003 this Law has distributed around 150 millions euros, to finance training for more than 150.000 workers in over 17.000 enterprises. • The Law 53/2000 finances on the one side training plans based on contractual agreement for re-organisation of working times, and on the other side individual training plans. The implementation of the first kind of plans has encountered some problems, financing only 247 projects. The large development of individual training vouchers is one of the main evolutions over the last three years. The public financial support of individual vouchers can collect funds from ESF or L.236/93 or L.53/00 depending on the different Regional provisions. At least 33.000 workers use individual training vouchers. The Collective agreements in the different economic sectors are another source of financing for CVT. They often foresee paid working hours for CVT. Besides, regional and local joint integrative agreements often plan a social dialogue approach to CVT programmes. The European Social Fund intervention in Italy for CVT, valuable at 1.846.759.151,3 euros for the 2000-2006 programme, is diversified in Objective 1 Regions (Southern Italy) and Objective 3 ones (Centre and Northern Italy). 1 For the management of CVT for workers and enterprises paying their contribution to an "AntiUnemployment Fund". 2 Enterprise and territorial training plans, as well as individual vouchers, according to Law 236/93 (regarding CVT in enterprises) and Law 53/00 (training leave). 3 Managed by the Ministry of Labour and Social Policies. In the Objective 1 areas, expenditures for CVT⁴ are about 105 Millions Euros for enterprises and 20 Millions for Public Sector. In the Objective 3 areas committed expenditures for CVT⁵ are around 663 Millions Euros for enterprises (involving 455 thousands of private workers) and 102 Millions for Public Sector. The following key aspects of the Italian CVT systems have had particularly rapid developments over the last three years: • training for interim workers, supported by a special agreement signed in 1999 by the Social Partners, creating a dedicated Foundation (Forma Temp); • CVT for safety and health in the job environment, strongly promoted by the State authority in the field (INAIL) and by the Ministry of Labour in the L.236/93 recent implementation⁶; • CVT for public employees; since 1999 collective bargain in the Public Sector foresees 1% of the salary for CVT; more than 12% of global public resources for CVT are dedicated to public employees. The CVT in Italy cannot be considered apart from the more general framework of adult education and training. In Italy there are more than 5.000 training centres involving at least 350.000 adult learners. ISFOL researches give an outlook of the main aspects of the CVT demand in Italy: • The involvement of companies in CVT in Italy is still weaker than in other European countries; furthermore, in Italy CVT demand depends more on the enterprise dimension than in other EU countries.⁷ • Big enterprises represent the main part of private sector demand; but they organise CVT with internal resources, train preferably mid and high profiles within their staff, over the last three years they have been compelled to CVT by technological innovation; more than half of the answering enterprises have enjoyed public financial support for CVT. • Workers' demand has been investigated by ISFOL-Abacus surveys, revealing a large percentage of involved workers: 31,8 % of trained employees in 2000-2001, 42,9% of autonomous



workers in the same period. Nevertheless, CVT public policies are largely unknown by the Italian workers. To sum up, Italian CVT system has different problems, some shared with other EU countries and others linked to its socio-economic structure. Public policies are trying to face them, starting from the inclusion of weak workers in CVT initiatives.

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3.2. Balance between Working and Private Life

Article 36 of the Constitution establishes that maximum working time must be fixed by law.

Collective agreements determine the normal weekly working time (never more than 40 hours).

Some enterprise-level agreements provide for a more substantial reduction in weekly working time in connection with a new shift system which allows a more intensive use of machinery and thus increased productivity.

Work performed in excess of 40 hours a week is overtime. Different overtime limits can be fixed by collective agreements. In principle, overtime should be occasional or due to exceptional reasons which cannot be met by the hiring of new workers.

Act 196/1997 requires a specific authorisation by the Department of Labour (Inspectorate) for work exceeding 48 hours a week (in practice: more than 8 hours overtime).

Many collective agreements provide that overtime pay will be not less than 30 per cent, but they can also provide – and they often do – that this bonus will be calculated on the basis of a narrower definition than the above. There are also extra costs (e.g. a higher rate of compulsory contributions to The Public Fund for Unemployment Benefits).

Special pay increases are fixed by collective agreements for overtime worked on Sundays, on other holidays and night work. Night work has been recently settled by Act no.25 of 1999.

Working time is normally established by the employer, within the limitations cited above, and can be changed.

For **part-time work**, the distribution of the working hours is established by an individually written contract which cannot be changed by the employer.

In any case managers and self employed tend to work more the 40 hours a day and many workers try to work in excess in order to get a bigger incomes.

Another problem that influences the balance between working and private life is the time to get to work that in average is 1 hour.

3.2.1 Equal Opportunities

On the ground of general principles, Italian legislation provides equal opportunities for men and women does not contain any discriminatory law. Women presence at the high and middle levels is, nevertheless, scarce. In the Italian juridical system, **positive actions** were introduced in 1991 with the purpose to reach a substantial equality between men and women in the job field, by creating the Equality National Committee and the Equality Counsellors as bodies with surveillance and control tasks.

The Committee was established by Law 125/1991 and placed under the Labour and Social Policy Ministry. The membership of this committee includes representatives of trade unions and employers, as well as representatives of women's associations and movements. The Committee's role includes:

- advancing proposals, providing information and promoting the adoption of affirmative actions;
- giving its opinion on projects in progress;
- formulating codes of conduct;
- proposing solutions to collective disputes;
- requesting the Labour's Ministry Inspector's Office to investigate the employment situation in workplaces concerning equal opportunities; and,
- promoting appropriate representation of women in government bodies.

The Italian Parliament approved on March 8, 2000 a new law concerning the parental leaves, which stimulate the use of leave for both parents for children and relatives' care and which supports bodies subscribing favourable contracts for the carrying out of familiar responsibilities (reversible part-time, tele-working, flexible timetables).

Italian Minister for Equal Opportunities has later proposed a bill "Measures against discrimination and for the promotion of the equal opportunities" for a full accomplishment of article 13 of the Amsterdam Treaty.

In the use of the European Structural Funds (2000-2006), innovative criteria were introduced in order to ensure both equal opportunities for men and women and transparency in the choice process. Both the National Operational Plans and the Regional Operational Plans bind a percentage of the funds for the achievement of targets and specific actions in the field of the equal opportunities.

3.2.2. Voluntary Social Protection Charges

No representative data could yet be identified for this research.

3.3. Health and Safety at Work

Italy has the highest rate of workplace accidents and deaths of any European Union (EU) country, according to another survey published last year by Censis. Data for 1994 showed that the number of accidents per 100,000 workers was 4,641 in Italy, compared to the EU average of 4,539. The number of fatal accidents per 100,000 workers in Italy was 5.3, compared with the EU average of 3.9.

These statistics actually underestimate the number of accidents and deaths, because those suffered by "irregular" workers are not reported to INAIL. As indicated by Gianni Billia, president of the INAIL, many companies hire subcontractors for dangerous jobs to avoid the cost of insurance and enhanced safety measures. The growth of what Billia calls "underground" employment subjects workers to greater dangers and more ruthless exploitation. A large number of immigrant workers, who lack the documents to legally reside in Italy, are particularly vulnerable. They are forced to work without insurance for employers who flaunt safety regulations.

3.4. Adaptation to Change

No representative data could yet be identified for this research.



B - EXTERNAL DIMENSION

3.5. Local Communities

3.5.1. Sponsoring

Italian companies certified under the SA8000 ethical workplace standard have been given preferential treatment under law when bidding for local government contracts in a region of central Italy. The Region of Umbria has introduced a law that allows SA8000-certified firms (of which there are currently 26 in Italy) to join a dedicated SA8000 register under which they will receive priority when companies are chosen to run franchises or carry out contracts on behalf of the local government - providing bids are competitive on cost and quality. The Region of Umbria says it has introduced the measures to promote 'a widespread of knowledge of the importance of the social responsibilities of companies and consumers'.

3.5.2. Corporate Volunteering

No representative data could yet be identified for this research.

3.6. Business Partners, Suppliers and Consumers

3.6.1. Development of Long Term Partnerships

No representative data could yet be identified for this research.

3.6.2. Supply Chain Ethical Control

The first priority aims at promoting the uptake of socially responsible practices among enterprises. CSR is about daily management of social and environmental issues in every department of a company. Enterprises are not expected to adopt CSR practices because it makes sense for their competitiveness. It should not be just a public relation exercise, but should lead companies to reassess and reorganise their core business activities, and ensure that they manage risk and change in a socially responsible way.

3.6.3. Responsible Marketing

Enterprises have realized that adopting a socially responsible approach can bring only benefits, to the point of carrying out an increasing number of marketing and communication campaigns focusing on social commitment. The Government, therefore, intends to play a part in spreading the culture of social responsibility among enterprises, and deems it increasingly important to protect consumers that reward a responsible social behaviour by enterprises. It has emerged from various surveys that a majority of consumers is more willing to buy the products of ethical companies, even if this means having to pay slightly more for them.

3.6.4. Design for All

No representative data could yet be identified for this research.

3.7. Human Rights

3.7.1. Child Labour

Child labour in Italy is a phenomenon that is relatively little studied and difficult to analyse, owing to the fact that it is associated with illegal employment and is part of the clandestine, underground economy

under-age labour in Italy can be estimated to involve around 370,000 children, a level much higher than estimates provided by other studies - for example, the [International Labour Organisation \(ILO\)](#) has estimated child labour at 12,000 units (in 1996), the [United Nations Children's Fund \(UNICEF\)](#) at 200,000-300,000 (in 1993), and [Censis](#) (an Italian research institute) at 230,000. This marked variation confirms the difficulty of measuring the extent of child labour. From a geographical point of view, the Cgil study finds that child labour is more widespread in southern Italy (60% of the total) although it is relatively common in the north of the country as well (40%).

According to the researchers, child labour is caused by not only economic but also cultural poverty. Only in a limited number of cases is it due to the economic poverty of the household, though for households suffering from economic poverty, child labour is a means to augment their incomes. Besides economic aspects, therefore, the cultural attitudes of the under-age workers' families and their immediate social environment are also important. For example, in many cases the family tends to dismiss the value of education compared with work, with the latter seen as a factor which enables individual fulfilment. Consequently, numerous minors view work as a means to satisfy their needs through obtaining money. Moreover, small family-run firms tend to view child labour as a resource which facilitates their operations.

One of the survey's most significant findings is that child labour assumes a variety of forms. This heterogeneity can be seen by considering three aspects:

- the work-history of the minor involved;
- the employer (the family or a third party); and
- the relationship between school and work (continuing at school or dropping out).

As regards work histories, the majority of the minors surveyed were aged between 11 and 14. One important feature is the number of years since the minor first started working, in particular whether he or she has been working for less than one year or more than two. Given the extremely young age-group concerned, the fact of having worked for two or more years means that entry to work has come about very early for those involved, and that work occupies an important part of the minor's life. There is a general lack of opportunities for professional development for such minors. In the case of the children who have been working longest (two years or more), there is found to be marked mobility among sectors of activity. In this regard, it should be borne in mind that minors tend to have low-skilled jobs, a factor which obviously increases mobility. One of the sectors in which child labour is most widespread is commerce, especially food retailing, followed by crafts and the construction industry.

Another key factor is the employer, which may be the family or a third party. The formalisation of the employment relationship differs according to the type of employer. In general, work tends to be casual if the employer is the family, while it is more continuous if performed for a third party. In the latter case, the work also tends to be distributed more uniformly across the days of the week. Working hours also tend to be longer if the minor works for a third party (in many cases as much as eight hours a day, while minors working for their families tend to work around four hours a day). Moreover, as is to be expected, mobility is lower among minors who work for their families. However it should be borne in mind that when the employer is the family, the minor is at considerable risk of exploitation. For example, children who work for their families tend to have longer work histories, and have consequently begun working earlier, or their wages may be lower or paid less regularly.

The relationship between child labour and education is also problematic. According to the researchers, the conventional view that associates child labour with dropping out of school is questionable. The key variable is the continuity or otherwise of the employment relationship. In fact, only children who work on a continuous basis tend not to attend school. Educational failures (ie repeat years) even as early as elementary school are one of the main reasons for quitting school. By contrast, children who work on a casual basis tend to continue their studies. However, even those who continue at school have difficulties, of which repeat years and absenteeism are the indicators. Work therefore



does not lead to the abandonment of school, but it has a deleterious effect on the quality of school studies.

Bearing in mind that minors' employment relationships are discontinuous mainly where the family is the employer, the relationship between child labour and the school highlights the ambivalent role of the family. On the one hand, the family enables children who work to continue at school; but, on the other hand, because these children work, they are at considerable risk of educational failure.

Another issue raised by the survey is the high risk of social exclusion to which working children are exposed. Analysis of the relationship between school and child labour, in addition to the above considerations concerning the lack of opportunities for professional development and the low-skilled nature of the jobs performed, emphasises that under-age workers are faced with precarious futures. This precariousness is twofold, in that it comprises the risk of exclusion from the labour market and that of being marginalised in the weak segments of the labour force. Child workers are to some extent aware of this risk and express a certain amount of concern about their futures. Many of them do not intend to stay in the same job but are nevertheless unable to imagine doing anything else. Hence the uncertainty over the future typical of adolescents is particularly marked among under-age workers. Moreover, as far as "work identity" is concerned, demotivation is the feature that tends to predominate.

Social exclusion is also due to the fact, mainly in the case of formalised employment relationships, that work excludes the child not only from school but also from relations with his or her friends during free time. Thus contact with the main "agencies of socialisation" - the school and the peer group - is precluded. As a consequence, child labour not only excludes training and professional development but also negatively affects socialisation processes.

3.7.2. Slave Labour

Italian legislation offers sufficient and suitable instruments to repress these activities. At the base there is the acceptance of the International Conventions for the Suppression of the Traffic in Women and Children approved at Geneva on 30 September 1921 (ratified and implemented in Italy under Royal Decree No. 2749 of 31 October 1923) and of the Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery - which makes explicit reference to children - approved at Geneva on 7 September 1956 (ratified and made executive in Italy with the Law No. 1304 of 20 December 1957).

349. In implementation of these conventions the Italian Criminal Code, under articles 600, 601 and 602, provides the crimes of reduction to slavery, trafficking and trade in slaves and alienation and purchase of slaves which also punish conduct which places a person in a condition analogous to slavery. These criminal provisions were applied a short time ago in the criminal proceedings against members of organized crime which paid poor families in the former Yugoslavia sums of money to acquire children to bring them to Italy in order to break into houses.

In completion of this legislation, Parliament has recently approved a new law on the sexual exploitation of children (Law No. 269 of 3 August 1998) entitled Law against the Exploitation of Prostitution, Pornography, and Sexual Tourism to the Detriment of Minors: The New Forms of Slavery. This establishes that:

- ⊙ Whosoever procures a person under the age of 18 years for prostitution or who aids and abets it or exploits prostitution is punishable by imprisonment from 6-12 years and a fine of 30 million to 300 million lire;
- ⊙ Whosoever, even though the fact no longer constitutes a serious crime, carries out sexual acts with a child between the ages of 14 and 16 years, in exchange for money or other economic advantage, is punishable by imprisonment from six months to three years and with a fine not inferior to 10 million lire;
- ⊙ The public official or public service officer who has information that a child practises prostitution is obliged to give immediate notice to the Office of the Public Prosecutor which takes action regarding protection;
- ⊙ Whosoever exploits children under the age of 18 years with the aim of carrying out pornographic exhibitions or to produce pornographic material is punishable by imprisonment from 6 to 12 years and with a fine of 50 million to 500 million lire. The person who markets the pornographic material is liable to the same punishment;
- ⊙ Whosoever distributes, divulges, or publishes, including by telematic media, pornographic material and information aimed at the solicitation and the sexual exploitation of children is punishable by imprisonment from one to five years and a fine of 5 million to 100 million lire. In this regard, the law provides that the organ of the Ministry of the Interior which is in charge of the security and the regularity of telecommunications services can set up on

information networks sites to enable the interception and reception of all information necessary to carry out police investigations in the sector;

- ④ Whosoever cedes to another, even without payment, pornographic material produced by way of the sexual exploitation of children under the age of 18 years is punishable by imprisonment for up to three years and a fine of 3 million to 10 million lire;
- ④ Whosoever procures or holds pornographic material produced through the sexual exploitation of children under the age of 18 years is punishable by imprisonment of up to three years or with a fine of not less than 3 million lire;
- ④ Whosoever organizes, assists or publicizes journeys abroad with the aim of taking part in activities related to prostitution to the detriment of children is punishable by imprisonment from 6 to 12 years and a fine of 30 million to 300 million lire;
- ④ Whosoever traffics in or in any way trades in children under the age of 18 years with the aim of procuring them for prostitution is liable to the same penalty under article 601 of the Criminal Code;
- ④ The aforesaid crimes can also be prosecuted if committed abroad by an Italian citizen or by a foreign citizen acting together with an Italian citizen;
- ④ The Prime Minister's Office shall coordinate all the public administrations relative to the prevention of, assistance to and protection of children from sexual abuse;
- ④ The fines gathered constitute a fund to finance specific programmes for prevention, assistance and rehabilitation of child victims;
- ④ The Prime Minister's Office shall acquire data at a national and international level on prevention and repression and shall promote studies and research on the social, health and judicial aspects of the phenomenon of the sexual exploitation of children.

3.7.3. Working Conditions

The Constitution contains some declarations of principles (e.g. 1 "Italy is a democratic Republic founded on labour", "the Republic recognises to every citizen the right to work", "the Republic protects work in all its forms and applications"), and some more effective rules, largely employed in case-law:

The contract of employment is considered indefinite except in cases specified by legislation (Act 230 of 1962). Fixed-term contracts of employment are permitted to the extent that they are justified on grounds such as seasonal work, replacement of employees on sick leave or maternity leave, and extraordinary and occasional work. Pursuant to Act 56 of 1987, collective agreements may authorize other cases of recourse to fixed-term contracts of employment. Until recently, a breach of legislative requirements on fixed-term contracts led to employers typically being required to employ the employee indefinitely. Recently, however, Act 196 of 1997 (the "Treu Act") has limited this sanction to ongoing violations. If employment continues for ten days beyond the expiry date, the employer is liable to pay 20 per cent extra remuneration; for 20 days beyond the end date, 40 per cent extra; and only then is the contract required to be converted into an indefinite one. A fixed-term contract will also be deemed to be indefinite if the employee is rehired in less than either ten or 20 days from its expiry (ten days for contracts of less than six months' duration; 20 days for contracts of six months' duration or more).

The main types of special contracts of employment are as follows: apprenticeships, part-time, solidarity contracts (these are intended to assist in maintaining employment during periods of business difficulties), "work-training" contracts, fixed-term contracts, domestic work, work undertaken by building caretakers, work with temporary agencies, and contracts for managers (*dirigenti*).

3.7.4. Freedom of Association

The Italian Constitution recognises the right of citizens to associate freely (Sect. 19) and the right of employers and employees to join associations or unions.

Sect. 39 of the Constitution regulates trade unions and specifies that only the registered ones can obtain legal status and can make collective agreements valid *erga omnes* (for all employers and employees). This provision, however, has not been enforced because a bill regulating the registration of unions has never been adopted. Therefore, in Italy unions do not need any recognition and can organize themselves without any pre-established legal model. They can conclude collective agreements, which are legally enforceable under civil law rules, i.e. on the assumption that the parties to a collective agreement have stipulated on behalf of their respective membership. Usually the employers abide by the collective agreements concluded by the most important unions and employers' associations and pay wages in accordance with them for all their employees.



The Workers' Statute (Sect. 14) recognises freedom of association and freedom of trade union activity at the workplace. The same rights are also guaranteed to public employees (except military staff, who have representatives not belonging to the unions). Act 121, 1 April 1981 also guarantees union freedom and activity to the Italian Police (Polizia di Stato, that is not a military force), except for the right to strike and union activities which may compromise public security (Sect. 84).

The law does not fix any model of union organization either for the unions or for the employers' associations.

For workers the most frequent pattern is the industry-wide union, which has local, provincial, regional and national organs (vertical organization). The national unions join together in trade union federations (horizontal organization).

For the employers there is a similar model of organization, with provincial, regional and national associations, that join to form federations. There are three employers' federations: industrial, commercial and artisan.

Recently local unions have been formed, which do not join the traditional federations, but have their own coordinating organs.

Unions are financed by the workers' dues. Sect. 26 of the Workers' statute authorizes the unions to deduct union dues from the employee's wages (check-off).

3.8. Social Labels

During the last decade, a proliferation of environmental and social standards occurred, concerning specific tools of management and evaluation of performances (management systems, labels, accounting systems, Key Performance Indicators, codes of conducts, ethical indexes, etc.) and the related processes (Social and Ethical Accounting, Auditing and Reporting activities, quality assurance, etc.). If reference is made to the most important initiatives, documents and methodologies, a hundred proposals will be normally exceeded.

These voluntary standards are sided by the solutions that are autonomously fine-tuned by several companies, which developed their own approaches to reporting and to the communication of performances and actions in the environmental, social and sustainability sector.

On the one hand, standards helped a significant number of enterprises to improve their management, on the other hand their multiplicity and absence of convergence generate undesired effects:

- confusion and lack of transparency for companies. The existence of several standards and acronyms, the development of different and at the same time similar proposals can complicate companies' approach to CSR issues. This results in a slowing down of the evolutionary dynamics of management models, of SMEs in particular, rather than helping and promoting them;
- confusion and lack of clarity for the other stakeholders. If enterprises do not adopt common approaches and homogeneous performance measurement systems, the different stakeholders (citizens/consumers, public actors, investors, etc.) will have difficulties in analyzing and correctly evaluating the social efforts and commitments of enterprises. Furthermore, this basic lack of transparency and the lack of a general framework might damage the best enterprises and reward the free riders that adopt fraudulent behaviors and attest wrong results.

Moreover, the confusion, made with reference to standards, derives from the lack of culture on the subject of CSR and on its multidimensionality, and from the prevalence of a logic based on contraposition rather than on integration. It is the case, for example, of well-known standards that are wrongly considered as "alternative" ones (the typical example is SA8000, concerning ethical sourcing, with reference to environmental management systems like ISO 14001 and EMAS) when they rather cover particular aspects of corporate social responsibility and have to be considered as complementary ones.

The lack of a reference framework, of a set of common and shared pattern penalizes enterprises and stakeholders.

In fact, it:

- does not allow to correctly measure and monitor the evolution of corporate behaviours;
- does not allow to make homogeneous comparisons between the performances achieved with the passing of time by the same enterprise and different enterprises;

-  does not allow reaching suitable levels of information, communication and confrontation, inside and outside enterprises, corresponding to the real needs of the different corporate stakeholders.

The solution to this problem, which is basically of information asymmetry, is not that of imposing a binding standard, an obligation of socio-environmental reporting claiming the same logic as civil law balance in the field of sustainability.

Example:

Network lavoro etico social quality label (Italy) – a consumer label certifying that a product has been produced in accordance with socially responsible criteria and norms such as the SA8000. The Network Lavoro Etico carries out external controls before certification of a product. www.ciseonweb.it/etica/certificazione/index.htm

SA 8000 (Italy) – while this certification standard is a global initiative, 25 Italian companies (over half of Europe's total of 40) have been certified according to SA8000 standard which guarantees that production is in accordance with international labour and human rights standards. www.sa-intl.org

3.8.1. Fair Trade Initiatives

The Italian setting for fair trade is characterised by the presence of two main importers: CTM (Cooperazione Terzo Mondo), which is the largest, and Commercio Alternativo, founded in 1992. Other smaller importers, such as RAM - Robe dell'Altro Mondo, and Equomercato either work independently or in co-operation with one of the two main importers. There are over 200 World Shops in Italy, a number which has almost doubled in the past four years. The World Shops are represented by a national association (Associazione Botteghe del Commercio Equo e Solidale Italia), of which most of Italian World Shops are members. A labelling initiative, TransFair Italia, was established in 1994 by some major NGOs, consumer associations and fair trade organisations (Association of World Shops, CTM, Commercio Alternativo, RAM, Equomercato) and other organisations representing civil society, such as Pax Christi, ARCI, ACLI. Currently 90% of the activities focus on coffee, distributed by 5 licensees, but tea has recently been introduced as a newly labelled product. There are more than 1,000 points of sale for fair trade products and, although most of the turnover is achieved through the World Shops' network, some commercial shops and some chains of supermarkets are also important retail outlets. The importing organisations and the World Shops' network altogether employ more than 125 people.

An important role is being played by an savings alternative bank, structured in the form of a financing co-operative, CTM-MAG, which grants loans, mainly to fair trade organisations in Italy and abroad.

There is good press coverage on fair trade issues, which have attracted so far the attention of the most progressive media for the innovative nature of the ethical business. The national parliament, following many local councils and regional assemblies, has adopted fair trade coffee as its official beverage. Great emphasis has been placed on the production of information material, which is considered to be part of the trading activity. CTM produces a bi-monthly newsletter along with various materials on producers and products. Visits by producers give the opportunity to people working in the World Shops and to the consumers to establish a more direct link with the reality of trade with the South. In 1997, a product-specific campaign was organised for the first time on cocoa, in co-ordination with other European organisations. Market for fair trade .

The global retail turnover was estimated to be around 13 million ECU in 1996, of which 9 million was represented by CTM (including products labelled with the TransFair mark). Almost 90% of the products imported by CTM are distributed through the network of World Shops, which also sell as wholesalers to other commercial retailers (food stores and health-food shops) as well as to informal groups in their geographical area.

The main product categories are food: coffee, tea, honey, cocoa, chocolate, dried nuts, spices, cane sugar, dried fruits and exotic fruit jams); and handicrafts: decorations, furniture, bags and cases, clothing. Food makes up approximately 60% of the global turnover, of which 25% of the total is coffee, while non-food represents 40%.

Prices of fair trade products do not vary greatly from their traditional competitors (especially for coffee and honey). Italian consumers still seem to be poorly informed about fair trade issues and about the difference between traditional trade and fair trade. In 1994, around 15% of consumers were aware of fair trade issues. In 1996 the percentage of people willing to buy fair trade products (especially coffee) had increased to 25%. Customers would also be prepared to pay a little more for products which are 'ethically sound'. They appear to buy primarily because of the high quality of fair trade products (26%) and their originality (17%). An obstacle to further development of fair trade in Italy is the insufficient availability of fair trade products to the consumer in the mainstream market. The network of World

Shops is not yet wide enough to reach most consumers and the is still concentrated mainly in the Northern part of the country.

According to a recent market survey, 60% of the customers of the World Shops are women, within the age range of 20-45, and 20% of them have a university degree while 36% have at least secondary education. 73% of World Shop customers prefer supermarkets for the regular purchase of food products. Most clients of World Shops are regular customers.

The market share of fair trade coffee is only 0.1% but is expected to increase considerably following the introduction of the labelling initiative. The spectacular growth in turnover of CTM at the beginning of the decade is now slowing down, although the rate of growth is still more than 10% per annum. The potential of the fair trade market does not seem yet to be fully exploited and further developments are expected following the establishment of the labelling initiative



CHAPTER 4. ENVIRONMENTAL RESPONSIBILITY

4.1. Management of Environmental Impacts and Natural Resources

Voluntary environmental policies rely on the possibility to set out a «virtuous circle» among the actors involved in their implementation. This represents the strength of voluntary instruments. The application of environmental certification schemes like eco-labelling or environmental management standards, for example, implies that each actor involved pursues its interest by (consciously or unconsciously) supporting other actors' aims. By participating in an eco-labelling scheme, in fact:

- industrial and other business actors are allowed to use a marketing tool to enhance their competitiveness,
- social actors (consumer, citizens, communities...) obtain correct and credible information on product;
- environmental impact,
- institutional actors achieve public policy objectives in terms of environmental performance;
- improvement.

4.1.1. Minimizing Environmental Impacts

CSR companies want to minimise the environmental impact making many controls about material that they produce, such as the components used, and to follow better every process than in the past. This new approach is growing in the Country because a lot of companies want certificates to ISO 14001 or want to be registered at the EMAS.

4.2. Product Lifecycle Approach

In Italy this concept is familiar only to big companies because there aren't many legal restrictions and today economical reasons still tend to prevail over environmental conscience.

4.3. Eco-Labels

In industrial sectors characterised by a «diffused» and fragmented competition, as well as by the presence of SMEs (e.g. textile, paints and paper industries), the main curbing factor seems to be the Eco-Label scarce value perceived on the market (in terms of both promotional capacities and its real competitive advantage). More than participation costs, scepticism and uncertainty about the marketing potential of the Eco-Label play a crucial hindering role especially for smaller companies. Many innovative and risk-prone SMEs operating in the above mentioned sectors, in fact, are willing to invest financial resources in eco-marketing strategies; but these companies choose to adopt the Eco-Label only if they can rely on its effectiveness as a marketing tool.

For many companies, doubts regarding this effectiveness arise from:

- the customers and consumers' unavailability to pay a premium price for green products;
- the scarce information and knowledge of the Eco-Label shown by customers and consumers;
- the lack of cooperation (or communication) with traders and retailers concerning possible Eco-Label;
- promotion initiatives;
- the better marketing performance of other environment-oriented instruments (including national);
- labels and the backing of environmental groups activity);

- the underestimation of the consumers' availability to attribute value to third-party certification.

Companies are not eager to use it as a marketing tool (because they suppose or estimate that consumers are not ready to value it);

- labelled products are not offered on the shelves (therefore consumers cannot see it, nor find it and marketing/promotion of the Eco-Label cannot be effective);
- without marketing and promotion (and without eco-labelled products on the shelves), the consumer awareness is not increasing and companies still perceive the Eco-Label as a weak marketing tool.



4.4. Global Environmental Concerns

The diffusion of voluntary schemes (Eco-Label, EMAS, ISO standards) strongly relies on the supporting activities of many institutions, such as chambers of commerce, local agencies, voluntary consortia, centres of excellence, etc. We may define these institutions as «intermediate», since they are collective (but not public) actors. Their activity is particularly important for removing the barriers to the diffusion of voluntary schemes among SMEs. In the long run, they will probably be the primary means to lead SMEs to implement sound environmental management tools and help them to adopt environmental certifications.

A pivotal «intermediate» institution is represented by trade associations. As we have seen, national sectorial trade associations are often hostile to the development of the Eco-Label (with some relevant exceptions, like the Italian Textile Federation); but from our preliminary survey it also emerged that, when these associations operate at a local territorial level or represent SMEs, they are much less concerned with the need of preserving the competitive equilibrium in the reference industrial sector.

Therefore, these associations are willing to accept and even support the Eco-Label-connected advantages that their associates could gain in the competition with larger companies (in the case of SMEs) or with respect to companies operating in other areas (in the case of territorial and local trade associations).

4.5. Sustainability Development Practices

The evaluation or appraisal of 'sustainability' is now a reality in many regions at many levels. From a decade of experience, we should now be able to identify best practice. In reality, we find that 'sustainability' is often a very slippery concept, which can be twisted around to almost any answer

CHAPTER 5. SOCIALLY RESPONSIBLE INVESTMENT (SRI)

5.1. Social Ratings

In Italy there the forum for the "finanza sostenibile" a multi-stakeholder organisation which promotes dialogue among actors interested in sustainable development from a financial perspective. The Forum provides operators with practical tools to handle the concrete aspects of sustainability in the financial sector

5.2. Ethical Funds

The phenomenon of socially-responsible managed saving or ethical finance is acquiring a rising importance: the number of ethical mutual funds increased steadily by reaching the number of twenty in 2003. To underline the deep interest toward this sector, Assogestioni introduced the category of "Ethical Fund" among its classes.

Furthermore, trading pension funds start combining the ethical choice with traditional portfolio management systems (Previambiente and Eurofer, for example).

In Italy, in September 2003, the total assets managed by ethical funds amounted to 1.5 billion euros. In Italy, in this framework, we point out the *Forum per la Finanza Sostenibile* (FFS – Forum for the Sustainable Finance) with members like ABI, ANIA and different banking, financial and insurance institutions, with the aim to promote the sustainable development among the representatives of the financial community. Also, one of the biggest international ethical rating companies – E.Capital Partners SpA - works in Italy. Since 2000, it has launched two stock Indexes – Ethical Index Euro® and Ethical Index Global® - and four bond Indexes. Moreover, Avanzi SRI Research, the Italian member of the SiRi Group network, works in the field of socially-responsible investments;

The *Banca Etica* was founded in 1998; it has become fully operational since March the 8th, 1999. It is specialized in no-profit financing, solidarity economics, social and international cooperation, civil society. Its savings, made of socially-responsible and sustainable investments, amount to 228 million euros. On June the 30, 2002, the total of allocated funds amounted to 109 million euros.

5.3. Companies Listed in Social Indexes

TRADABLE INDICES	ITALIAN'S COMPANIES
DJSI World	Monte dei Paschi di Siena
UniCredito	
DJSI Euro STOXX	Autostrade / Pirelli / Seat pagine Gialle
FTSE4Good	ENEL / ENI / Generali Assicurazioni / TIM / Telecom Italia / UniCredito
Global 100	
FTSE4Good	ENEL / ENI / Generali Assicurazioni / TIM / Telecom Italia / UniCredito
Europe 50	

Only ten Italian's Companies are amide to the Broker's indexes of sustainability.

CHAPTER 6. CSR LEGAL FRAMEWORK



Conventions ratified by Italy concerning this issue:

- Underground Work (Women) Convention, 1935 (No. 45)
- Radiation Protection Convention, 1960 (No. 115)
- Guarding of Machinery Convention, 1963 (No. 119)
- Hygiene (Commerce and Offices) Convention, 1964 (No. 120)
- Maximum Weight Convention, 1967 (No. 127)
- Benzene Convention, 1971 (No. 136)
- Occupational Cancer Convention, 1974 (No. 139)
- Working Environment (Air Pollution, Noise and Vibration) Convention, 1977 (No. 148)
- Safety and Health in Construction Convention, 1988 (No. 167)
- Chemicals Conventions, 1990 (No. 170)
- Labour Inspection Convention, 1947 (No. 81)
- Labour Inspection (Agriculture) Convention, 1969 (No. 129)

6.1. Health and Safety at Work

In Italy the importance of safety and health at work is increasing more and more due to the law coming from European Union.

The coherence of the prevention system also became a matter for debate in Italy, which faced an increase in the number of declared occupational accidents and dysfunctions in the relevant paritary bodies. So, in September 2000 in Modena, the unions organized the first national assembly of worker health and safety reps. On 20 October 2000, a work stoppage was held in support of health and safety.

Title(s) of principle national law(s) and/or regulation(s) in the area of OSH:

- Legislative Decree No. 626 of 19 September 1994, implementing Directives 89/391/EEC, 89/655/EEC, 89/656/EEC, 90/270/EEC, 09/394/EEC and 90/679/EEC on improvement of health and safety in the workplace (LD No. 626/94)
- Presidential Decree DPR No. 303 of 19 March 1956 on general standards of occupational hygiene as amended by Legislative Decree No. 626 of 19 September 1994 (DPR No. 303/1956)
- Legislative Decree No. 242 of 19 March 1996, amending and consolidating Legislative Decree No. 626 of 19 September 1994 (LD No. 242/1996)
- Legislative Decree of 15 August 1991, No. 277 concerning the application of Directive No. 80/1107/CEE, No. 82/605/CEE, No. 83/477/CEE, No.86/188/CEE and No. 88/642/CEE, concerning protection of workers against risks of exposure to chemical, physical and biological agents during the work, (LD No. 277/1991)

6.2. Social Audit Reports

There are no laws in Italy concerning social audits reports.

6.3. Staff Training

There are many laws concerning staff training in Italy. We could say that in every contract there is a number of hours that must be dedicated to training. It depends on the age and especially on the kind of contract signed.

6.4. Protection of Women, Minorities and Disabled People

Working women are entitled to equal rights and, for comparable jobs, equal pay as men. Working conditions have to be such as to allow women to fulfill their essential family duties and ensure an adequate protection of mothers and children.

Maternity Leave: The Maternity Protection Convention created by the ILO in 1919 was the first global standard aimed at protecting working women before and after childbirth. Currently, 119 countries meet the standard of 12 weeks with 62 of those countries providing for 14 weeks or more. Just 31 countries mandate a maternity leave of less than 12 weeks.

Among the countries which provide the most paid maternity leave by law are: the Czech Republic (28 weeks), Slovakia (28 weeks), Croatia (6 months and 4 weeks), Hungary (24 weeks), The Russian Federation (20 weeks) and **Italy (5 months)**. Denmark, Norway, and Sweden all provide extensive paid leave which may be taken by either parent, although a portion is reserved for the mother.

In Italy, pregnant women enjoy greater rights a woman automatically enjoys protection of maternity leave laws simply by becoming pregnant, no matter how and when the employer learns of it.

Female workers have special protection in case of pregnancy and maternity (Sect. 2110 Civil Code, Act 1204 of 30 December 1971).

From the beginning of pregnancy to one year after the child's birth, the employee cannot be dismissed (except for just cause) and during this period, a woman who resigns has the right to the same indemnities due for dismissals (provided she gives due notice).

Maternity leave is compulsory for female workers, from two months before until three months after childbirth. Pre childbirth leave can start at an earlier date than two months, if the worker's work is dangerous for her health or that of the unborn child. On the other hand it is possible to postpone pre-childbirth leave in order to increase the leave granted after childbirth.

Some rights, reserved for the mother by Act 1204/1971, have been gradually extended to the father, at first only in case of the mother's impediment, but more recently with many alternative choices being made available to both parents.

In 1987, for the first time, the Constitutional Court (decision no.1/1987) extended to the father the right to leave for three months after birth, where the mother's caring for the child had become impossible due to illness or death.

It is also possible for both parents of an adopted child to obtain paid leave for three months after the effective introduction of the child into the family (Act no.903 of 1977, Act no. 184 of 1983, Constitutional Court no. 322/1998).

But only with Act no .53/ 2000 has Italian Legislation really improved in considering parental leave as a right of the family in order to protect children.

Both parents have the right to leave for no more than a total of 10 months during the first eight years of a child's life. A longer period is possible (up to two years) in case of children with handicaps (Act 388/2000).

During compulsory maternity leave, the mother is entitled to 80% of her regular pay from Social Security and the period is counted as actual work time. Collective agreements usually oblige the employer to make up the difference to the regular wage.

Subsequent parental leave has now the same economic consequences for both parents: 30% of regular pay (from Social security) for six months. For additional time there are different indemnities depending on the family income.

Both parents have equal right to leave in case of a child's illness; without limitation for the first three years of age and for five days a year until age eight.

More flexibility in the working time schedule for both parents is now foreseen in article 9 of Act 53 /2000.



The working mother, during the first year, has the additional right to two hours of daily rest, initially intended for breast-feeding. Supplementary time is also foreseen in case of twins or multiple births.

A recently approved law (Act 151 of 26 March 2001) has consolidated most of the above provisions into a single text.

Act no.196 of 1997 provides for specific incentives (i.e. reduction of social security contributions) directed at favouring part-time work for women who want to re-enter the labour market after at least two years of inactivity

The law defines a minimal age for paid labour.

The republic establishes special measures protecting juvenile labour and guarantees equal pay for comparable work.

Article 37, second paragraph, of the Constitution provides that the minimum age must be settled by Statutory Law.

Act no.345/99 implementing the EC Directive no.33/1994 and Act 262/2000, establish the minimum age at which a person may be employed at the end of compulsory schooling, however not less than 15 years of age (ILO Minimum Age Convention, 1973 no. 138).

The capacity to conclude a labour contract is related to the age of capacity in civil law (settled by Act no.39 /1975 at 18 years). But where the minimum age of employment is inferior, the minor can also exercise the rights and actions deriving from a labour relationship (Sect. 2 of Civil Code).

Act no. 977 of 1967 and no.345/1999 introduced a special regulation to protect the work of minors, such as special medical certificates guaranteeing their physical fitness for work, periodical medical check-ups, limits on working hours, prohibition of night work and so on.

Act no.148/2000 is intended to meet the obligations arising out of the ILO Worst Forms of Child Labour Convention, 1999 (no.182) in the fight against the exploitation of minors. It also draw guidance from ILO Recommendation no.190/1999, which supplements the said Convention.

All citizens unable to work and lacking the resources necessary for their existence are entitled to private and social assistance.

Workers are entitled to adequate insurance for their needs in case of accident, illness, disability, old age, and involuntary unemployment.

Disabled and handicapped persons are entitled to education and vocational training.

CHAPTER 7. NATIONAL SUPPORT INITIATIVES ON CSR

7.1. Financial Support to Social and Environment Certifications

In the last month government gives some fund in to enterprises that try to get ISO 14000 certification.

7.2. Fiscal Exemptions on Donations

Two legislative instruments are currently being approved: (1) the delegated law on fiscal matters, article 3 of which provides for the removal of tax exemptions from contributions made by the private sector, including enterprises, in connection with projects concerning families and other social issues, and (2) social insurance reform which, following the demobilization of the TFR (end of service allowance fund), shall make available approx. 12 bn euros each year to the supplementary pension market. The Government's objective is to develop so-called 'ethical supplementary pension funds', i.e. funds investing in socially responsible enterprises, a system that is considerably widespread in North European countries, in particular in the UK.

7.3. CSR Awards

The rising attention to CSR-related issues is demonstrated by the creation of specific awards. In this context, we mention the initiative "Oscar di Bilancio" – created by the Federation of Italian Public Relations - that identified some specific categories for social and environmental reports and that, consistently with the above-mentioned triplebottom- line approach, created the "Oscar di Bilancio di Sostenibilità" to meet these new trends; the "Sodalitas Social Award", the award granted to those Italian companies that stood out in the implementation of socially responsible programs and other initiatives on specific CSR-related issues, like the "Best Workplaces Italia" organized by Great Places to Work.

7.4. Regional or Local Initiatives

So far, many initiatives have been promoted at the regional and provincial level:

As far as Regions are concerned, we mention:

- starting from June 2000, the Region of *Toscana* activated the *Fabrica Ethica* project to promote SA 8000 certification among SMEs; the certification envisages the activation of supporting training and information services and the allocation of funds to companies;
- the Region of *Umbria* approved the Regional Act n.20 of 2002 that provides for the creation of the regional Register of SA 8000-certified companies. In addition, the Region had already approved the Regional Act n.21 of November 12, 2002 titled "Measures for the certification of quality, environmental, safety and ethical systems of Umbrian companies";
- in addition to the programme "*Chiaro, Sicuro, Regolare*" (CSR – Clear, Safe, Regular) about working safety and quality, the Region *Emilia Romagna* entrusted the Institute for Labour with a research project to detect the conditions that could ease the voluntary access to the Label of Social Quality for regional companies. The latter is not a new labeling tool; it rather enriches/integrates existing measures;
- the Region of *Marche* is a partner of the project carried out by the Training Center of *Marche* (CFM) – a consortium of *Marche*'s training companies – aimed at conducting a feasibility study for the establishment of an informative system on corporate social responsibility;
- the *Assessorato* for Productive Activities of the Region of *Campania* started an investigating study on local, national and international CSR patterns and best practices;
- the *CSR-Vaderegio* Project, funded by the European Commission, involves four organizations: Agenda-Social Responsibility in Scotland of Edinburgh (Scotland), the Flemish Ministry of Labour (Belgium, Flanders), the Novia Salcedo Foundation di Bilbao (Spain),

Basque Region) and the Euro Association of *Palermo (Sicilia)*. By involving local institutions, the project aims at understanding and promoting CSR at a local level. Furthermore, the Region of *Sicilia* supports the Etiquitas Project that involves the Regional Observatory for the Environment (ORSA), the Euro Association and various Local bodies and cooperatives.



As far as Provinces are concerned, we report the following actions: • the Province of *Chieti* has brought forward a regional draft bill concerning the "Introduction of quality certification systems on the Environment and corporate social responsibility for the administrative procedures of the Region of *Abruzzo*, local territorial bodies and other public bodies working in the Region of *Abruzzo*". Industrial associations and universities helped drawing the document that aims at pushing companies to adopt more advanced managing tools;

- the Province of *Lecce*, in cooperation with the University and *Assindustria*, has promoted a project to support and develop the system of ethical-social certification for the companies of the province;
- with reference to the Sonar Project, aimed at the construction of a managing system for the inclusion of the weak into the labour market, the Province of *Novara* has also launched the working-out of a CQS system (Social Quality Certification).

Finally, the National System of Chambers of Commerce is particularly sensible and attentive to the promotion of CSR among companies working in Italy.

On the matter, we mention the following initiatives:

- In Italy, the REBUS Project - Relationship between BUiness and Society, an European Investigation in CSR -, funded by the European Commission, is shared by ISTUD (*Istituto Studi Direzionali SpA* - Milan), SFERA (*Servizi Formativi Emiliano Romagnoli Associati*, a consortium whose partners are the training bodies of entrepreneurial associations of *Emilia Romagna*) and FORMAPER, Special Agency of the Chamber of Commerce of Milan. The project aims at investigating the attention paid by SMEs managers to the concept of CSR and promoting the exchange and knowledge of best practices;
- The CISE, *Centro per l'Innovazione e lo Sviluppo Economico* - Center for Innovation and Economic Development, a special agency of the Chamber of Commerce of *Forlì- Cesena*, established the *Lavoro Etico* (Ethical Labour) network to communicate and disseminate the principles and management tools for SA 8000 certification and training of auditors. The CISE is accredited by the *Social Accountability International* for the certification of SA 8000 system and training of auditors.

In conclusion, the sensibility to CSR and the promotion/consolidation of socially responsible behaviours, mostly among SMEs, are the fundamental elements shared by all public initiatives, all over the national territory. A shared reference framework, able to integrate and strengthen these efforts, could improve the action of Territorial Bodies and Chambers of Commerce and supply a useful tool for the companies involved.

CHAPTER 8. OTHER CSR INITIATIVES

8.1. Cause Related Marketing

Still in connection with private initiatives, a remarkably-increasing phenomenon in our context is represented by cause-related marketing activities that are promotional strategies that create a link between social issues and the corporate strategic target.

According to Nielsen Italia observatory of corporate investments aimed at communicating initiatives of Cause-Related Marketing activities, in 2002, 7,800 ads, amounting to 78,000,000 euros – 0.3% of the advertising market, were realized by 120 companies.

These figures, during the first five months of 2003, increased by 96% if compared to the same period of 2002 (5,100 ads for a total investment of about 31,000,000 euros).

We can assert that the Italian approach to CSR implies a nationally widespread network of interventions and actions that are highly innovative. It is indeed true that many of the voluntary activities carried out by companies, mostly SMEs, despite a strong relationship with the local community, are scarcely systematic, that is, they are not structured into formalized strategic processes, and they have low visibility outside the company. This approach to CSR, that can be defined as a sort of sunk CSR, is a frequent phenomenon but cannot be appreciated and deeply enhanced from the competitive point of view, with traditional interpretation patterns suitable for multinational corporations.

Vodafone Omnitel

Vodafone Italia won on may 2003 an award in the Cause Related Marketing category of the first ever *TP Expansion Prize "Advertising for non profit. For a better society"*.

The TP Expansion Prize is subdivided into two categories: "Social Message" and "Cause Related Marketing", and is aimed at companies that use their business communications to spread messages of support for non-profit organizations and create special social campaigns.

The jury awarded a prize to Vodafone in the Cause Related Marketing category for its pioneering use of new fund-raising tools such as SMS, the Internet and top-up cards, and for the advertising campaign, "*Help us win*", in support of the Telethon held in December 2001.

The social campaign that helped raise funds for Telethon was Vodafone Italia's first major social investment. It combined a high-impact message with innovative fundraising tools such as SMS, the Internet and top-up cards. On the basis of this experience, the Super Solidarity Message service was introduced. This service enables Vodafone customers to donate a pre-determined amount to charity by sending a simple SMS. In the space of a year, over 3.5 million Super Solidarity Messages worth 1 euro each have been received in support of various non-profit organizations.

The message of the advertising campaign is centred on breaking new records. The protagonists, three young disabled people, are portrayed within the context of their everyday lives as they attempt to achieve their personal goals: 100 metres backstroke in 1 hour and 15 minutes; weightlifting – a glass weighing 200 grams; the high jump – a 20-centimetre step. At the end of the advert, campaign testimonial Megan Gale appears holding a stopwatch and says "We need your help to break these records". Behind her stands a crowd made up of researchers and 190 operators dressed in white shirts, whilst a voice-over concludes: "*Support research. Help us win*".

The advert was directed by Howard Greenhalgh in collaboration with the McCann Erickson agency of Milan, creative director Maurizio Brini, and RSG Production. The photographs used in the press campaign and at retail outlets are by Tony Thorinbert. Everybody, from the agency to the production company, including Megan Gale, the director and photographer, waived their picture rights.

Merloni Elettrodomestici

Merloni Elettrodomestici is one of the top three producers of white goods in Europe. Set up in 1975, it's the youngest of the world leaders.

Having grown twenty times in the last 20 years thanks to a relentless stream of innovations, the Company now has a 15% market share in Europe, with sales of €2.5bn posted in 2002. Ariston and Indesit are the Group's two European brands, respectively leaders in the built-in and free standing segments. The other brands in the region - Hotpoint, Scholtès and Stinol – lead their markets in the



UK, France and Russia respectively. Through its 17 production facilities and 21 establishments throughout the world, Merloni Elettrodomestici applies a model of sustainable development that aims to further social progress wherever it operates.

Merloni Elettrodomestici created a code of conduct for insider dealing in observance of the "Regulations disciplining Markets Organized and Operated by Borsa Italiana SpA". This is a new procedure for disclosure to the market of information on trading of the Company's securities by persons within the Company who have been identified as relevant persons (company directors, statutory auditors and managers who by virtue of the positions they hold have access to "price sensitive" information).

In order to respond more closely to the interests of the market, Merloni Elettrodomestici decided to adopt a code with provisions that are more stringent than those issued by Borsa Italiana.

The Code provides for: a blocking period for acquisition of securities; an extension of disclosure obligations to documents proving exercise of stock options; a prohibition of short-term operations and short selling in particular; an obligation to provide timely information on trading operations worth over €125,000 (halving the €250,000 ceiling set by Borsa Italiana); an obligation to provide quarterly information on operations by top management worth over €25,000 (Borsa Italiana recommended €50,000).

Avon Cosmetics

The Avon Breast Cancer Crusade is a U.S.-based cause marketing initiative of Avon Products, Inc. that began in 1993. The mission of the Avon Crusade is funding access to care and finding a cure for breast cancer, with a particular focus on medically underserved populations.

Avon Products, Inc. is committed to being the company for women, and in support of this mission, the Avon Foundation is responding to the needs of women and their families by funding the fight against the most commonly diagnosed cancer among women: breast cancer. This is accomplished through a unique initiative called the Avon Breast Cancer Crusade, which from 1993 through 2002 reached its 10-year goal of \$300 million net in total funds raised worldwide to fund access to care and finding a cure for breast cancer. In addition to the US, Avon now supports programs for breast cancer and other vital women's health issues in 50 countries around the world.

The goal of the Avon Breast Cancer Crusade is to benefit all women through research, clinical care, support services, education and early detection, but there is special emphasis on reaching medically underserved women, including low-income, elderly and minority women, and women without adequate health insurance. Reversing historical disparities in breast cancer care is a priority of the Avon Breast Cancer Crusade.

Unlike any other corporate supporter of the breast cancer cause, Avon has implemented a sophisticated and comprehensive need-based philanthropic strategy that addresses every facet of the disease. Recognizing the complexity of the problem of breast cancer among all groups of women, Avon is distinguishing itself from other corporations that fund a single institution or scientific investigator by supporting a virtual national network of research, medical, social service and community-based organizations, each of which is making a unique contribution to helping patients or advancing breast cancer research

8.2. Research on CSR (2000-2003)

Two major research works in this field were found:

- European Conference on Corporate Social Responsibility: The role of Public Policies in promoting CSR, EU Presidency Conference, Venice, 14th of November 2003;
- Project CSR – SC: The Italian contribution to CSR promoting campaign developed at European level, Ministero del lavoro – 2003.

8.3. Organisations dedicated to CSR

Some of the organisations dedicated to CSR are:

- Avanzi: the first Italian rating agency;
- Fondazione Choros: a foundation that works for human global growth and promotes the social economy and ethical finance at the national and international level;
- Sodalitas: a non-grant making intermediary association for the development of entrepreneurship in the social economy;
- Cittadinanzattiva: a civic movement, whose members share a commitment to ensure that the general public affirm and play an active role in governing society;
- Centre for Economics, Law and Ethics: University of Castellanza.

8.4. Main CSR Events during 2003

Italian officials - most of them representatives of the Government and of the Judiciary - have regularly provided information on the Convention to the civil society and the private sector by participating in numerous meetings, workshops and conferences held by business associations, NGOs, law firms and corporations.

Associations of Category, such as API (Small Enterprises Association), Confindustria, Confcommercio, AICE (Italian Association for the Foreign Commerce), Assolombarda and many Industrial Unions implemented seminars and meetings mainly focused on the introduction in the Italian legislation of the new administrative liability for legal persons, accordingly to the legislative decree 231/2001, as well as on the reform of the fault accounting law. The Italian press as well as bulletins and house organs of Associations of Category have been focusing on these issues.

Associations of Category elaborated Guidelines and Organizational Models to be applied by their members. Specifically, Confindustria has organized a series of conferences in order to inform on the organizational models provided by its Guidelines, while API, in collaboration with RINA and M&P, has set up the first immediately implementable model for small enterprises. Many of the models or guidelines adopted by companies are available on their websites.

Single enterprises organized workshops and public campaigns in order to favourite an exchange of information on codes of ethics, organizational models and best practices.

Many associations and non governmental organizational, such as Transparency International Italia, Sodalitas, Isvi, has actively collaborated with the Government and with the Universities in order to provide information on the Oecd Convention. Specifically, the actions of Transparency International Italia (seminary, workshops, lectures) have been address to promote business ethics through courses and workshops for university students and make future business and technical leaders conscious of the damages caused by unfair competition in international and national business transactions.



Date	Place	Main Workshops, Conferences and Training Programs in Italy	Topics Covered
29 Jan 2003	Milan	LA RIFORMA DEL DIRITTO SOCIETARIO Convegno - Union of Commerce and Turism and Services of the Province of Milan C. Sangalli (President of CTS Union) - G. Bonetti (President of AssICC) - S. Pennuto (Graduate in commerce) - A. Gottardo (Lawyer) - G. Arnò (Lawyer) - G. Pannuti (Lawyer) - N. Broggi (Graduate in commerce)	Main innovations by the corporate law reform New models for join stock companies and companies with limited liability Administrative corporate liability for crimes committed by administrators, managers and employees
10 Feb 2003	Milan	LA RESPONSABILITÀ SOCIALE DELLE IMPRESE - MARATONA EUROPEA sulla CORPORARE SOCIAL RESPONSIBILITY Convegno - Sodalitas - European Union Marathon M. Perini (President of Assolombarda) - D. Tettamanzi (Archbishop of Milan) - G. Alberini (Mayor of Milan) - F. Falck (President of Sodalitas) - A. Diamantopoulou (European Commissioner for Employment and Social Affairs) - R. Maroni (Minister of Welfare) - D. Bracco (Bracco spa) - V. Nozza (Caritas Italiana) - A. Profumo (Unicredito Italiano) - L. Sita (Granarolo) M. Romiti (HdP) - N. Aliperti (Hewlett Packard) - E. Davignon (CSR Europe) - J. Lund (The Copenhagen Center)	The future of the CSR in Italy and in Europe ISVI survey Perspectives on the Italian Model Sodalitas Social Award Ceremony: a prize for the best social responsible companies Partnership in the community and Social marketing The Social Commitment of the SMEs Finance and Social Responsibility
7 Mar 2003	Rome	LA RESPONSABILITÀ AMMINISTRATIVA DEGLI ENTI Convegno LUISS University De Maio (Rector of Luiss University) - G. Minervini (La Sapienza University) - P. Gnudi (President of ENEL Group) - A. Fiorella (Roma Tre University) - P. Severino (Luiss) - A. Carmona (Luiss) - A. Tannini (DG Criminal Justice, Ministry of Justice) - F. egidi (Partner KPMG) - N. Nicoletti (Senior Manager, Price Waterhouse Coopers) - A. Cardani (Auditing Director, ENEL) C. sartorelli (ENEL) - M. Foschini (Luiss) - G. Piccolini (Luiss) - A. Di Carlo (Tor Vergata University) - F. Di Sabato (Luiss) - L. Scotti (President Court of Rome) - F. Carotti (Confindustria) - G. Bargiacchi (Audit Director, Finmeccanica) - F. Maimieri (ABI) - F. Chiappetta (General Council, Telecom Italia) G. Ventura (Audit Director, ENI)	Corporate Responsibility: objective and subjective presuppositions Organizational model and Codes of Conduct Crimes Prevention organizational measures Interdictive sanctions and their effects on enterprises Subjects, jurisdiction and competence Confindustria Guidelines and legislative decree 231/01 The organizational models and internal audit The Watch Body The ENEL Model The ENI Model The Finmeccanica Model The ABI Model The Telecom Italia Model

Date	Place	Main Workshops, Conferences and Training Programs in Italy	Topics Covered
11 Mar 2003	Milan	<p>LA RESPONSABILITÀ ETICO-SOCIALE DI IMPRESA MODELLI DI GESTIONE PER ATTUARLA</p> <p>Convegno - University of Castellanza (Liuc) - Q-RES</p> <p>G.Rebora (University of Castellanza) - L. Sacconi (University of Trento - Liuc - CELE) - M. Pierce (Senior associate, AccountAbility) - D. Bè (EU, DG Employment and Social Affairs) - F. Denozza (University of Milan) - F. Morganti (Board of Directors, ENEL) - F. Silva (University of Milan) - G. Zadra (General Director, ABI) - P. Baretta (CISL) - S. Cofferati (Pirelli) - F. Garelo (Ferrari-Maserati Group) - P.Landi (Adiconsum) - A.Martinelli (University of Milan) - N.Alessandri (President of Technogym Group) - P.L. Celli (Corporate Identity direction, Unicredito Italiano) - G. Mariani (ST Microelectronics) - G. Poletti (Lega Nazionale delle Cooperative Mutue) - L.Sita (Granarolo) - A. Panzeri (Segretari of the Labour Chamber) - E. Riboni (Corriere della Sera)</p>	<p>Ethic and Social Corporate responsibility: organizational models for implementing it. Q-RES Project</p> <p>The Italian experience on organizational and governance models and the Q-RES approach</p> <p>Corporate Social Responsibility: the European scenery and the role played by the European Union Institutions</p> <p>Corporate governance</p> <p>The proposal of a multi-stakeholder body for certifying the ethic and social corporate responsibility</p> <p>Instruments of management and control. Q-RES Survey on National experiences</p> <p>Conflicts or cooperation between companies and their stakeholders</p> <p>Adoption of governance and management system based on CSR: choices made by companies and answers given by society</p>
23 Jan 2003	AEM	<p>MODELLO ORGANIZZATIVO INTERNO AEM</p>	<p>The Board of Directors of AEM Spa, under the Presidency of Giuliano Zuccoli, adopted the Internal Organizational Model accordingly to the provisions of the decree legislative 231/2001.</p> <p>The model, that has not been publicised yet, will be address to the Ministry of Justice for the procedure of conformity.</p>
25 Feb 2003	Assobiomedica	<p>LINEE GUIDA ASSOBIOMEDICA</p>	<p>http://aem.it</p> <p>Assobiomedica (Association representative of enterprises working in mediacy technology) adopted the Assobiomedica Guidelines, which were elaborated on the basis of the Confindustria Guidelines and adapted to the specific needs</p>



Date	Place	Main Workshops, Conferences and Training Programs in Italy	Topics Covered
	ABI	LINEE GUIDA ABI	The Bank Italian Association put on internet its new guidelines on the administrative responsibility of enterprises working in the bank sector.
	Assaeroporti	LINEE GUIDA ASSAEROPORTI	The Italian Airports Association adopted the Confindustria Guidelines adding a specific appendix for corporate crimes.
Sep 2003	Liuc University	CORSO DI ALTA FORMAZIONE POSTLAUREA IN DECISIONI ECONOMICHE, RESPONSABILITÀ SOCIALE E CERTIFICAZIONE ETICA D'IMPRESA	In the framework of a formative project of the European Community, the European Social Fund and the Lombardy region, the University Liuc of Castellanza organizes the master "Economic decisions, social responsibility and corporate ethics certification". The course aims at training ethic and social responsibility experts, through a wide knowledge of the Decisions Theory . People trained will be able to implement an organizational model in compliance with the legislative decree 231/01.

8.5. Press Coverage of CSR during 2003

Due to the large amount of information published on the CSR subject it is almost impossible to collect and register the existent information.

CHAPTER 9. OPPORTUNITIES AND OBSTACLES FOR CSR

9.1. Main Reasons and Motivations for Companies to be Active in CSR

For companies the advantages deriving from participation in the CSR-SC system are:

- increased corporate trust and reputation, improving the relationships of the participating companies with different stakeholder categories;
- better market positioning in relation to the increased demand for ethical products (goods and services);
- easier access of companies to the financial markets and especially to ethical, environment and sustainability-oriented funds operating according to SRI principles;
- possible fiscal, economic and administrative incentives which the Government could introduce in order to reward socially responsible companies.

9.2. Identified Business Benefits

CSR is not be considered as an expense, rather it is an element that, if integrated into the company's governance, positively affects the company's performance and its competitiveness, by enhancing the development perspective and reducing the "risk profile". Hereinafter we list some of the most important benefit resulting from socially-responsible behaviours:

- with reference to human resources and the company climate, CSR practices contribute to the creation of a better, safer and more-motivation-based working environment, in line with the corporation targets of effectiveness efficiency. As a consequence, that increases the corporate capability to attract and keep qualified and motivated human resources.
- Also, at the international competitive level, which is more and more complex and dynamic, where social and environmental dumping cases trigger competitive unbalances, CSR may represent a qualifying distinctive element by transforming threats into opportunities, in full respect of the rules of the market and consumers' sensibility.
- A further benefits resulting from a socially-responsible behaviour is the relationship with financial institution from the viewpoint of an easier access to funds by virtue of the already-mentioned reduction of risk profiles.

In relation to the final market, the CSR commitment contributes to the increase of the brand value, through the development of a steady and long-lasting relationship with consumers/clients, on the basis of trust and loyalty to the brand.

The care for principles of social and environmental responsibility strengthens the company's reputation and then reduces the risk of boycotting by third organizations.

Obviously, these goals imply the dissemination of a corporate culture oriented towards both internal and external stakeholders, with the purpose of creating a context based on trust and satisfaction of mutual needs. By way of conclusion, these briefly-outlined remarks show a picture in which positive evidences prevail, the benefits resulting from socially-responsible behaviours pays companies back for the efforts expended with a durable competitive advantage and the attention to stakeholders' instances allows for the distinctive qualification of the company's offer on the reference market.

9.3. Existing Barriers to CSR Involvement



In general, Italian companies show a positive attitude towards CSR. Firms seem to be engaged in socially responsible activities using several tools: specific programmes on social issues, sponsorships, donations, adoption of codes of conduct. Meanwhile, for several companies CSR is still an occasional topic, not closely related to the business strategy.

Internal and external barriers to the diffusion of CSR among firms and factors could lead to a deeper engagement in the near future: from a policy perspective, the need for public support is clearly pointed out by respondents as a critical factor in fostering CSR behaviour. In particular, in addition to fiscal incentives, companies need information on corporate social issues (the lack of publicity on CSR is considered one of the main obstacles to CSR activities). Public Authorities have to develop and spread knowledge about CSR in the business community through promotion and communication.

NATIONAL CSR KPI's (KEY PERFORMANCE INDICATORS) 2003

KPI - KEY PERFORMANCE INDICATORS		ITALY
1	ISO 14001 Certifications ¹	3607
2	EMAS Registrations ²	195
3	OSHAS 18001 Certifications	208
4	SA 8000 Certifications	75
5	CSR reports published ³	20
6	Case studies listed in Smekey CSR Europe site ⁴	6
7	Social labels / Fair trade labels	
8	Fair trade commerce volume; # stores	
9	European Eco-label products	
10	Local Organizations dedicated to CSR; # member companies	6
11	Relevant CSR events; # people involved	8 (2003)
12	Relevant community involvement initiatives	9 (2003)
13	Univ. Doctorates, Masters and Post-Graduations	6
14	Overall research on CSR	
15	Media coverage of CSR	
16	CSR Awards	3
17	Consultancy companies offering services on CSR	10/15
18	% of permanent contracts	
19	% of women in total workforce	
20	Average weekly working hours	35
21	Incidence rate of labour accidents (<i>per 1000</i>)	
22	%of health and safety costs on total labour costs	
23	Average training hours per employee per year	
24	Incidence of staff involved in training	
25	Weight of supplementary social protection charges	

¹ Source: www.ecology.or.jp/isoworld/english/analy14k.htm.

² Source: www.ecology.or.jp/isoworld/english/analy14k.htm.

³ Source: www.corporateregister.com.

⁴ Source: www.smekey.org/reports/default.asp.

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