



CSR/SME

Promoting Social Responsibility
in Small and Medium Size Enterprises

CORPORATE SOCIAL RESPONSIBILITY

STATE OF THE ART
IN PORTUGAL

2004

EDITORIAL

Title: Corporate Social responsibility: State of the Art in Portugal 2004

Edition: CECOA - Centro de Formação Profissional para o Comércio e Afins
(Vocational Trade Center for Trade)

Coordination: Cristina Dimas

Author: Gonçalo Rebelo Pinto

Place of Edition: Lisbon

Date of Edition: May 2004



Contacts:

CECOA
Rua da Sociedade Farmacêutica, 3
1169-074 Lisboa
PORTUGAL
Cristina Dimas
Studies and Projects Department
estudos@cecoa.pt
www.cecoa.pt

TABLE OF CONTENTS







EDITORIAL.....	2
TABLE OF CONTENTS	3
ACKNOWLEDGEMENTS.....	5
FOREWORD.....	6
EXECUTIVE SUMMARY.....	7
CHAPTER 1. INTRODUCTION	9
1.1. Country Description	9
1.1.1. Population (2003)	9
1.1.2. Economic Performance (2003)	9
1.1.3. Structure of the Corporate Sector (1999).....	9
1.1.4. International Conventions subscribed by the Country.....	9
1.2. CSR History in Portugal.....	10
1.3. CSR Overview.....	10
1.3.1. CSR Situation in Portugal	10
1.3.2. Main Facts related to CSR occurred in 2003.....	11
1.3.3. Expected CSR Trends	11
CHAPTER 2. BUSINESS ETHICS	12
2.1. Use of Written Statements.....	12
2.2. Corporate Governance.....	12
2.2.1. Codes of Conduct.....	12
2.2.2. Dialogue with Stakeholders	12
2.2.3. Transparency	12
2.3. Accountability.....	12
2.3.1. Financial Reports and Auditing.....	12
2.3.2. CSR Reports and Auditing	13
2.3.3. CSR related Certifications.....	13
2.3.4. CSR Toolkits.....	13
CHAPTER 3. SOCIAL RESPONSIBILITY.....	14
A – Internal Dimension.....	14
3.1. Human Resources Management	14
3.1.1. Lifelong Training	14
3.1.2. Balance between Working and Private Life	14
3.1.3. Equal Opportunities	15
3.1.4. Voluntary Social Protection Charges.....	16
3.2. Health and Safety at Work.....	16
3.3. Adaptation to Change	17
B - EXTERNAL DIMENSION	18
3.4. Local Communities	18
3.4.1. Sponsoring	18
3.4.2. Corporate Volunteering	18
3.5. Business Partners, Suppliers and Consumers.....	19
3.5.1. Development of Long-Term Partnerships.....	19
3.5.2. Supply Chain Ethical Control	19
3.5.3. Responsible Marketing	19
3.5.4. Design for All	20
3.6. Human Rights.....	20
3.7. Social Labels	21
3.8. Fair Trade Initiative.....	21
CHAPTER 4. ENVIRONMENTAL RESPONSIBILITY.....	22
4.1. Management of Environmental Impacts and Natural Resources	22
4.1.1. Minimizing Environmental Impacts	22
4.1.2. Product Lifecycle Approach	22
4.1.3. European Eco-label	22
4.1.4. Savings in Natural Resources Consumption	22

4.2. Global Environmental Concerns	22
4.3. Sustainability Development Practices	23
CHAPTER 5. SOCIALLY RESPONSIBLE INVESTMENT (SRI)	24
5.1. Social Ratings.....	24
5.2. Ethical Funds.....	24
5.3. Companies listed in Social indexes	24
CHAPTER 6. CSR LEGAL FRAMEWORK.....	25
6.1 Health and Safety at Work	25
6.2. Social Audit Reports	25
6.3. Staff Training	26
6.4. Protection of Women, Minorities and Disabled People.....	26
6.5. SRI and Pension Funds	26
CHAPTER 7. NATIONAL SUPPORT INITIATIVES ON CSR	28
7.1. Financial Support to Social and Environment Certifications.....	28
7.2. Fiscal Exemptions on Donations	28
7.3. CSR Awards	28
7.3.1. EXAME - Best Practices Award	28
7.3.2. CITE - Equality is Quality Award	28
7.3.3. IDICT - Prevent More to Live Better in the Workplace Award	29
7.4. Social Index.....	29
7.5. Regional or Local Initiatives.....	29
CHAPTER 8. OTHER CSR INITIATIVES	30
8.1. Cause-Related Marketing.....	30
8.2. Research on CSR (2000 - 2003)	30
8.3. Organizations Dedicated to CSR	31
8.4. Main CSR Events during 2003.....	32
8.5. Press Coverage of CSR during 2003	33
CHAPTER 9. OPPORTUNITIES AND OBSTACLES FOR CSR.....	34
9.1. Main Reasons and Motivations for Companies to be Active in CSR	34
9.2. Identified Business Benefits	34
9.3. Existing Barriers to CSR Involvement.....	34
9.4. Conclusions.....	36
NATIONAL CSR KPI's (KEY PERFORMANCE INDICATORS) 2003	37
BIBLIOGRAPHY.....	38



ACKNOWLEDGEMENTS

CECOA would like to thank all those who have kindly and graciously contributed to this report, in particular:

-  Gonçalo Torres Pernas, from RSE Portugal, the Portuguese CSR Association and one of the National Partner Organisations (NPOs) of CSR Europe;
-  Rita Serrano, from IAPMEI, the Portuguese Institute for the Support of small and medium size enterprises and one of the consortium partners involved on the "European SMEs and Social and Environmental Responsibility" survey conducted by "The Observatory of European SMEs" in 2001;
-  Stéphane Laurent, from CIDAC (Centro de Informação e Documentação Amílcar Cabral), for the information concerning the Fairtrade Initiative in Portugal;
-  Delfina Pinto, from DGI – Ministério da Economia (Industry Department of the Ministry of Economy), for the information concerning European Eco-Label in Portugal.

CECOA is also grateful to Professor Maria do Rosário Palma Ramalho, labour law teacher at the Faculty of Law of the University of Lisbon (Faculdade de Direito da Universidade de Lisboa) for her valuable contributions to chapter 6 – CSR Legal Framework specially concerning the recently approved Labour Code.

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 CECOA - Centro de Formação Profissional para o Comércio e Afins (Vocational Training Centre for Trade) and having partners from Austria, Estonia, Italy, 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.

Alexandra Costa Artur

Director

EXECUTIVE SUMMARY



Portugal is ranked 21st in the "National Corporate Responsibility Index 2003" published by "AccountAbility", coming after the other 14 EU countries except Greece and just above Japan and the USA.

In March 2000, the European Council approved the "Lisbon Agenda 2010", a strategy for economic, social and environmental renewal of the EU. Since then, new organisations dedicated to CSR appeared in the country and CSR experienced a significant boom. The topic is just emerging as an autonomous management discipline and remains a low priority for most business managers and owners.

Social and environmental reports are almost non-existent in Portugal. The real impact of CSR policies and programmes is seldom measured and the business case of CSR is yet to be of general acceptance.

Some of the large companies are beginning to integrate CSR into their overall business strategies, playing a much more active role in this field and actually committing themselves beyond legal compliance in both environmental and social areas. In those companies, top management, human resources, P&R and marketing are the most common departments in charge of CSR.

According to a study carried out by MORI on behalf of CSR Europe in mid 2000, the concept of CSR remains quite unfamiliar to common Portuguese citizens. However, 66% of them think companies should pay more attention to the subject. 20% would recommend a socially responsible company to others, 70% admit that a company's commitment to social responsibility might influence their buying decisions and one third would agree to pay more for an environmentally and socially responsible product.

In December 2002 "Novadelta" became the first Portuguese company certified under the SA 8000 standard and was recognised as an international benchmark in the coffee industry.

In January 2003 the Portuguese Social and Economic Council published an important opinion on CSR. For the first time, a CSR Guide containing a list of social responsible companies and a description of their main social and environmental projects was cover story of a national reference business magazine. In May 2003, the "CSR Europe" road show meeting took place, organised by the brand new "Portuguese CSR Association" (RSE Portugal). Throughout the year, around 2 500 people - a real unprecedented figure- engaged in approximately twenty different events and the first few local research on CSR saw daylight.

Cause related marketing is still a new topic but it is growing relatively fast.

There are very few eco-labelled products in the market (43 different eco-labelled products, originated from 18 different companies, 8 of which are Portuguese made, coming from 4 different companies) and no social labels at all.

Informal economy is significant and in 2003, Portugal was rated 25th (same place as in 2002) in the Corruption Perception Index published by "Transparency International", above Italy and Greece and all new EU countries.

Portugal lies at the end of the EU 15 in some important ratios like per capita income, productivity, education level, lifelong training, and mortal labour accidents. In issues like education, it even comes behind all the new EU partners. Considering this particular situation, the internal dimension of CSR is even more important than in other EU countries.

Environment Legislation in Portugal is quite demanding, but non-compliance is significant. Although having signed the Kyoto Protocol, Portugal is far from being a good pupil at the EU level in fields such as the control of greenhouse effect gases, river pollution and the recycling of industrial and urban solid waste. At the end of 2003, 243 companies had ISO 14001 certifications and 14 were registered at the EMAS, a modest performance compared to EU 15 average.

Apart from the local branches of some multinational companies, few Portuguese companies have written statements of vision and values, mission, business principles and codes of conduct.

Ethical funds are not yet available on the local financial market and only three companies are listed in International Social Indexes.

According to the Report 2002/No 4 of the Observatory of European SMEs, two thirds of the Portuguese SMEs actually practice some kind of external CSR, most of them in an informal way.

Culture and sports are the main activities supported, followed by health and welfare. The most popular way of involvement is through donations, in cash or in kind, usually carried out on an ad-hoc or irregular basis. Portugal has the highest incidence of company donations among EU 15.

Corporate volunteering practices are scarce and concentrated in large companies.

According to the same report, the main reasons for SMEs to be externally socially active are ethics and the improvement of the relationships with the community/public authorities.

The main benefits identified are the improvement of the relationship with the community/public authorities (40%, the highest rate in all EU 15) and an increase in the customer loyalty, but many companies (36%) cannot identify concrete benefits. Existing barriers consist mainly in lack of awareness (especially among smaller companies), followed by lack of time and the idea that CSR external activities have no connection with the company business. Lack of money is also important for the smaller companies.

Concerning environment responsibility, legal compliance, cost savings, better image and pressure from the customers are the main motivations for being active. The main obstacles identified are lack of human and financial resources, attitude and company culture and lack of awareness.

Attitude in general and lack of awareness in particular seem to be the common elements of both social and environmental aspects of CSR, especially at the SME level. These points reinforce the importance of implementing an information campaign concerning CSR in Portugal as well as developing training materials on the subject and diffuse them amongst the public in general and the SMEs managers in particular.

CHAPTER 1. INTRODUCTION



1.1. Country Description

1.1.1. Population (2003)

Area: 93.033 km²
Total population: 10.4 million
Active population: 5.4 million (51.7%)
Female working population: 2.5 million (46% of total working population)
Average hour labour cost in the industry: 6.9 €
Secondary school index: (25-64 years): 20.6%
Dominant religion: catholic (94%)

1.1.2. Economic Performance (2003)

GNP per capita: 9 170 €
GNP evolution: (-) 1.3%
Public deficit: 2.8%
Inflation rate: 3.2%
Unemployment rate: 6.4% (7.3% for women and 14.6% for youth)

1.1.3. Structure of the Corporate Sector (1999)

In 1999, there were 1.14 million registered businesses, of which only 212 580 (19%) were companies and the rest (81%) were individual entrepreneurs. The explanation lays in the fact that active people working in a non regular basis have to register themselves fiscally as individual entrepreneurs in order to be able to work legally.

Table 1: Weight of Companies by Employment and Business Volume – 1999 ⁽¹⁾

	COMPANIES		EMPLOYMENT		BUSINESS VOLUME (10 ⁶ €)	
	#	%	#	%	#	%
MICRO	172.835	81.3	550.283	24.1	35.971	17.6
SMALL	32.070	15.1	613.499	26.8	35.001	17.1
MEDIUM	6.638	3.1	530.364	23.2	48.448	23.7
SMEs	211.543	99.5	1.694.146	74.1	119.420	58.4
BIG	1.037	0.5	590.948	25.9	85.153	41.6
TOTAL	212.580	100.0	2.285.094	100.0	204.573	100.0

(1) According to EU criteria.

Source: IAPMEI (the Portuguese Institute for the Support of small and medium size enterprises).

1.1.4. International Conventions subscribed by the Country



United Nations (UN)

Portugal is member of the UN and signed the Universal Declaration of Human Rights (1948).

International Labour Organisation (ILO)




Portugal is a member of ILO since 1919, having ratified seventy-seven ILO conventions, including all the most important ones in the following fields:

- Forced labour: # 29 – Forced labour; # 105 – Abolition of forced labour;
- Freedom of association: # 87 – Freedom of association and right to organize; # 98 – Right to organise and collective bargaining;

-  Discrimination: # 100 - Equal remuneration; # 111 – Employment and occupation;
-  Child labour: # 138 – Minimum age (16); # 182 – Worst forms of child labour.

Council of Europe

Portugal signed and ratified more than half of the Council of Europe Conventions (99 out of 195). Nevertheless, it failed to subscribe or ratify some CSR related conventions/protocols that have already entered into force:

-  # 130 – Convention on Insider Trading (entry into force in 1991);
-  # 133 – Protocol to the Convention on Insider Trading (entry into force in 1991);
-  # 174 – Civil Law Convention on Corruption (entry into force in 2003).

Portugal has also signed the Kyoto Protocol concerning greenhouse effect gases (1997).

1.2. CSR History in Portugal

Portugal has a five-century-old tradition of social intervention institutions, like the “Misericórdias”, with a strong linkage to the Catholic Church. Under the dictatorship regime (1926-1974), a few families dominated the main companies, and some of those developed a paternalistic approach towards their employees. This dynastic equilibrium was broken by the 1974 revolution, which confiscated most of those companies and progressively gave place to a social welfare state.

On the other hand, environmental problems have never been considered as a serious threat. Compared with other European countries, pollution levels were relatively low. In recent years, things have changed, and some environmental indicators, like air and water pollution, savage construction and destruction of natural heritage led to the implementation of more restricted laws, mainly boosted by EU pressure and financial support.

Traditionally, CSR has been practised in an informal way by a large percentage of companies, including SMEs, but the subject only emerged as an autonomous management discipline in the turning of last century, especially after the Lisbon European Summit of March 2000.

1.3. CSR Overview

1.3.1. CSR Situation in Portugal

According to a study conducted by MORI on behalf of CSR Europe in twelve European countries in September 2000, the concept of CSR is still quite unfamiliar to common Portuguese citizens. However, 66% of them think companies should pay more attention to the subject (compared with an European average of 58%). Twenty percent would recommend to others a socially responsible company (European average of 25%), 70% admit that a company's commitment to social responsibility might influence their buying decisions; 28% would agree and 36% would not agree to pay more for an environmentally and socially responsible product (European average of 44% and 37%, respectively).

The percentage of consumers that could be considered as “Social Responsible Activists” was in fact significantly low (3%, compared with a European average of 26%).

Culture and sport are the main activities supported by companies, followed by health and welfare. The most popular way of involvement is through donations, in cash or in kind, usually conducted on an ad-hoc or irregular basis. Portugal has the highest incidence of company donations between EU 15.

Environment Legislation in Portugal is quite demanding, but incompliance is significant. Although having signed the Kyoto Protocol, Portugal is far from being a good pupil at EU level in fields such as the control of greenhouse effect gases, river pollution and recycling of industrial and urban solid waste.



1.3.2. Main Facts related to CSR occurred in 2003

During 2003, CSR in Portugal experienced a significant boom:

- New CSR organisations appeared;
- The Social and Economic Council published an important opinion report about CSR;
- The Portuguese Securities Market Commission updated the rules concerning the governance of companies listed in financial market indexes;
- The first condemnations concerning insider trading offences against the law occurred;
- Some important events took place;
- The number of cause related marketing campaigns increased;
- "NOVADELTA" (coffee) became the first ever Portuguese company certified under the SA 8000 Standard (December 2002);
- The number of companies publishing CSR Reports increased;
- The number of studies on the subject increased;
- The press became more aware of CSR matters;
- CSR entered the agenda of more large companies CEOs;
- Consultant companies appeared offering services on the field.

1.3.3. Expected CSR Trends

The analyse of the main European and international trends points out to an increasing importance of CSR in the coming years, in line with the reinforcement of the "Lisbon Strategy" in the EU: "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 movement will tend to expand from multinationals and big companies to the SME tissue. Awareness on the subject will tend to increase, and so will the strategic approach to CSR: linking CSR initiatives with company business.

The data available indicates that the number of companies listed in social indexes and/or certified according to international Social Standards will also increase significantly.

CHAPTER 2. BUSINESS ETHICS

2.1. Use of Written Statements

Apart from the local branches of some multinationals, few Portuguese companies have formal statements of vision and values, mission, business principles and codes of conduct.

2.2. Corporate Governance

The Portuguese Securities Market Commission published new rules concerning the governance of companies listed in financial market indexes, saying that companies are obliged to clearly indicate in their reports some incompliance in these matters and to give justifications for these actions. In fact, in the latter 90's Portuguese companies listed in financial market indexes were still quite far away from their European peers but this situation is changing really fast.

2.2.1. Codes of Conduct

Written Codes of conduct are rare, although most organisations act according to an informal dominant culture, based on an oral tradition derived from the example that members perceive from their leaders.

Average business owner would say, "There is no need to put things down in paper, because my people know what to do". The truth is that the Portuguese reveal some difficulty on following rules, so they prefer not to have things written down, which allows a free interpretation that can be used according to circumstances.

2.2.2. Dialogue with Stakeholders

Most business managers/owners do not desire dialogue with stakeholders and practice it only when a crisis emerge, or when they have no alternative.

Some Unions still use bargaining approaches disconnected from the need of adaptation to economic evolution.

The stock market is relatively controlled. Lack of respect for the rights of minority shareholders is frequent. Restrict rules on inside trading have been adopted and a few people have recently been condemned by the courts.

In 2003, for the first time in Portugal people have been condemned by the courts for crimes connected with information abuse.

2.2.3. Transparency

It is necessary to promote a more transparent governance of companies since in 2003, Portugal was rated 25th (same place as in 2002) in the Corruption Perception Index published by Transparency International, above Italy and Greece and all new EU countries.

2.3. Accountability

2.3.1. Financial Reports and Auditing

In the framework of it securities and other financial instruments markets' supervision activity, the CMVM (Portuguese Securities Market Commission) brought 94 actions against in the year 2003. Half of them were judged in courts in the same year.

On the other hand, accounting is still considered by most SME owners as a mere fiscal formality rather than a management tool. Fiscal evasion is still considered a national problem, affecting enterprises, individual entrepreneurs and liberal professionals.

2.3.2. CSR Reports and Auditing

The number of CSR reports published is still small. It is difficult to tell how many were published in 2003, but the figure is surely below 50. In www.corporateregister.com we have found 25 reports from Portugal. Some of those have few or none numeric indicators, which gives the idea they reflect a marketing strategy, rather than a real commitment towards CSR.



2.3.3. CSR related Certifications

Company certifications arrived in Portugal at the early 90's, initially only in the Quality field.

By the end of 2003, more than 3000 companies had an ISO 9001 certificate. Environment certifications like ISO 14001 arrived in the late 90's, and other standards followed later. Among them, EMAS (Eco Management Auditing Scheme), OHSAS 18001 (Occupational Health and Safety Assessment Series), HACCP (Hazard Analysis and Critical Control Points) - mainly used in the food industry - and SA 8000 (Social Accountability). Table 2 gives us the figures of Portuguese companies certified under international standards related to CSR, in December 2003.

Table 2: CSR related Certifications in Portugal – December 2003

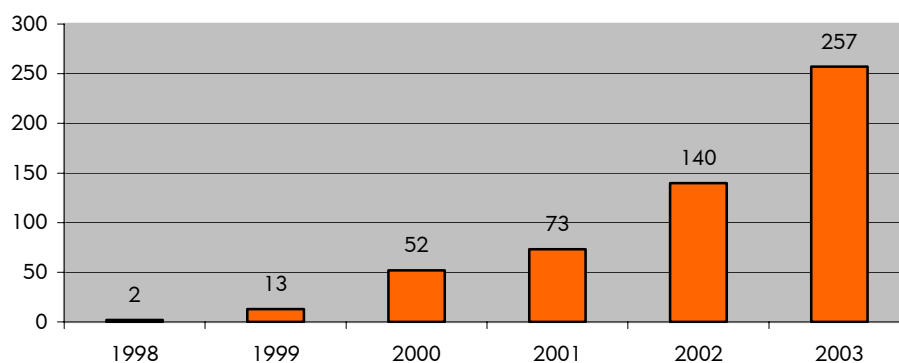
STANDARD	SA 8000	ISO 14001	EMAS ⁽¹⁾	OHSAS 18001	HACCP
CERTIFICATIONS	1	243	14	54	21

(1) Registrations.

In December 2002, "Novadelta" (coffee) became the first ever-Portuguese company to achieve the SA8000 certification. This company is recognised by its work to promote and support sustainability practises in East Timor, and considered an international case study in its field of activity. A few other companies are expected to follow "Novadelta" during the next year.

Although the total figures are still small, the number of CSR related certifications is growing fast, especially in what concerns ISO 14001, as can be seen in Figure 1.

**Figure 1: Environment related Certifications Evolution
ISO 14001 / EMAS (Portugal - 1998-2003)**



2.3.4. CSR Toolkits

There isn't any Portuguese CSR toolkit available yet. "RSE - Portugal", the Portuguese CSR Association, is working with a local business school (INDEG-ISCTE) on an auto diagnostic tool for large companies. They are also translating and adapting the SME Key tool developed by CSR Europe. Both tools will probably be ready to use in late 2004.

CHAPTER 3. SOCIAL RESPONSIBILITY

A – Internal Dimension

Portugal lies at the end of the EU 15 in most of the ratios related to social development. Education level, lifelong training, productivity, security at work and car accidents are some of the examples. In some of the issues, like education, it even comes behind all the new EU partners.

Considering this particular situation, the internal dimension of CSR is even more important than in other EU countries. There are also huge differences between big and small companies, which aggregate statistics don't show.

Traditionally, some of the big companies offer social services like dining halls, student support and, more rarely, day-nursery services. Sporting groups or associations of employees and ex-employees are also common and the management financially supports some of them.

Most of the few existing Corporate Foundations are destined to support external activities, but a couple of them, like "Fundação Salvador Caetano", aim at support employees and their families.

3.1. Human Resources Management

3.1.1. Lifelong Training

Portugal has a very low education level, by far the worst among EU 25 countries.

In fact, only 20.6% of people between 25 and 64 years of age have completed secondary school. School abandon before completing the compulsory education (9 years) is still very high and recently estimated at about 45%.

Unfortunately, lifelong training has no much better ratios. This factors' conjugation may help, in part, to explain the Portuguese low levels of productivity.

According to the 2001 official report on professional training published by the Portuguese Ministry of Social Security and Labour (MSST), only 17.1% of the companies (excluding micro companies) organized training courses, with an estimated global involvement rate of 18.8%. Training figures are very positively related with company size.

Average training hours per participant was 25.7, and average training cost per participant 279.5 €.

Professional improvement accounts for 84% of all company training. Initial training comes second with only 11%.

3.1.2. Balance between Working and Private Life

According to the MSST average weekly working time in 2000 was 36.9 hours.

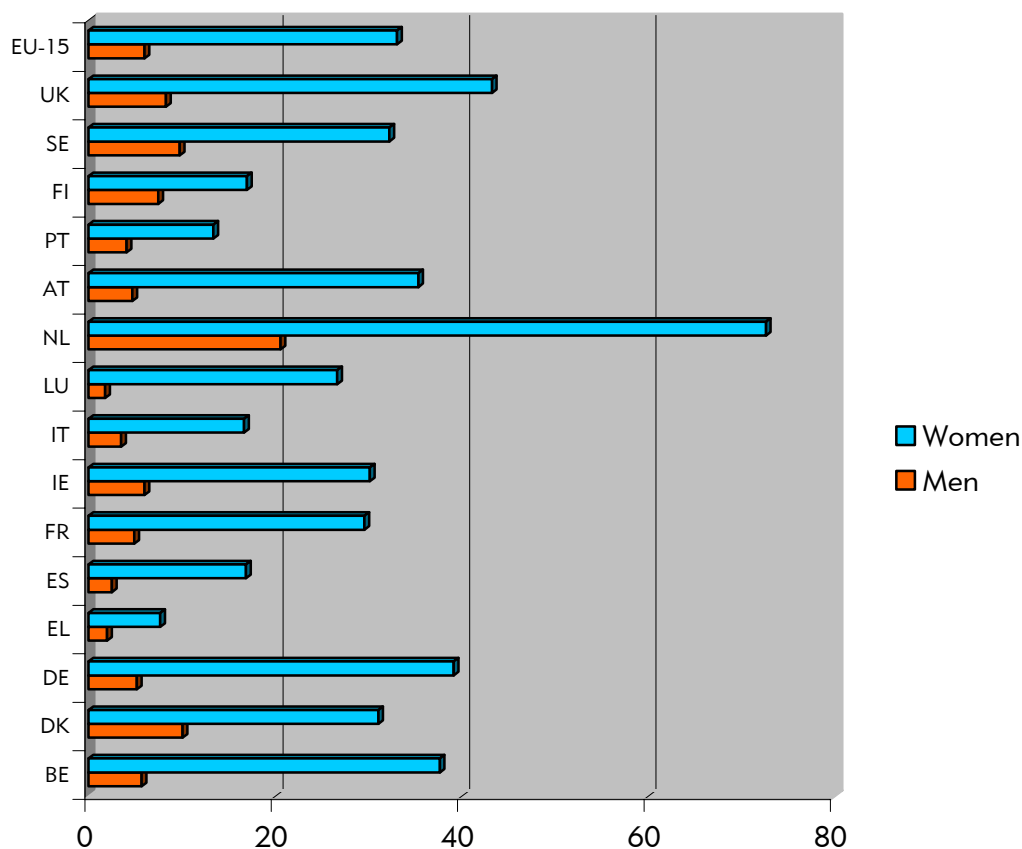
However, Portugal is known by having a high incidence of extra working time, as well as a high degree of unproductive time. Working people, especially managers and self-employed tend to have long working days. People with lower incomes sometimes try to balance the monthly budget by having a double job.

According to Eurostat, Portugal has a high percentage of female workers (45.5%), above EU 15 average (43%) and by far the highest among southern Europe countries.

On the other hand, part-time job percentage is very low (Total: 8.3%; Women: 13.4%) when compared to EU 15 (Total: 17.7%; Women: 33.1%).



Figure 2: % of Part-Time Workers in 2002 EU15



Source: EUROSTAT - European Labour Force Survey (LFS)

The offer of day-nursery services is an important factor of equal professional opportunities for young mothers. Nevertheless, public offer of this kind is still clearly insufficient and working hours of the parents are usually longer than the time services at public day nurseries.

The Government doesn't support financially part-time jobs for young mothers, and they seldom can afford to cut off their monthly income.

Public transportation is not very efficient and commuting time tends to be high, especially in major city areas like Lisbon and Porto.

Some of the data presented above may help to explain the abnormally high absenteeism in Portugal (7.6%).

Considering the above-mentioned aspects, balance between working and private life should be regarded as a relevant problem in Portugal, deserving special attention from employers and public authorities.

3.1.3. Equal Opportunities

It is quite significant to register that more than 60% of total students completing university studies are women, but they represent less than one third of the total senior officers and managers.

Women unemployment rate in 2003 was 7.3%, which is one third higher than the men rate.

In Portugal, as in other southern countries, women have to do most of the housework, independently of their professional status.

There is a relatively high weight of stress, depression and anxiety illnesses related to work, amongst the women (in 1999, 33.4%, compared to 20.2% in EU 15).

Youth unemployment rate was 14.6%, more than double of the total rate (6.4%). The result is that for young workers it is far more difficult to find a job with a permanent contract, situation which does not contribute positively to an equal opportunities standard.

3.1.4. Voluntary Social Protection Charges

Companies contribute for social security with 23.75% of total wages and workers pay 11%. Self-employed has a different scheme and pay 25% or 32% (depending on if they want or not to have illness absenteeism covered).

Social security is guaranteed by the state, but there is also the possibility of subscribing private schemes.

Some of the bigger companies contribute for their staff Pension Funds, either according to a collective agreement or on a voluntary basis, but this only covers a small part of the population.

According to the National Social Audit Report 2000 – published by the MSST and concerning only companies with more than 100 employees – voluntary social protection charges represented 15.2% of total personnel charges, this indicator varying directly with company size. External entities, namely pension funds, manage 69.2 % of those.

Matching fund policies are very rare.

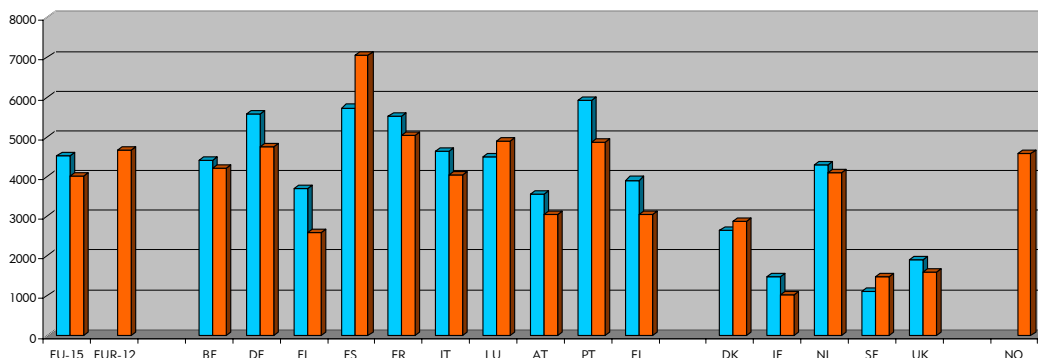
3.2. Health and Safety at Work

There is no real security culture at all levels of society, which can also be partly explained by a lack of literacy and civic education amongst working people. Portugal has a very high incidence of health and safety problems at work.

According to the European statistics of accidents at work (Eurostat), in the year 2000, 234.192 accidents at work occurred, of which 368 were mortal. 76.9% resulted in lost days, being the average of lost days 36. By sex, 81% of total accidents happened with men. By age, 25-34 years group comes first, with 27% of total accidents.

Figure 3: Standardised Incidence Rate of non-Fatal Accidents at Work - 1994 e 2000 na EU15 + 1⁽¹⁾

■ 1994
■ 2000



(1) Number per 100.000 workers.

Source: European Statistics on Accidents at Work (ESAW).

In mortal accidents, 45-54 years group come first (24%), followed by 25-34 (21%) and 35-44 (20%).

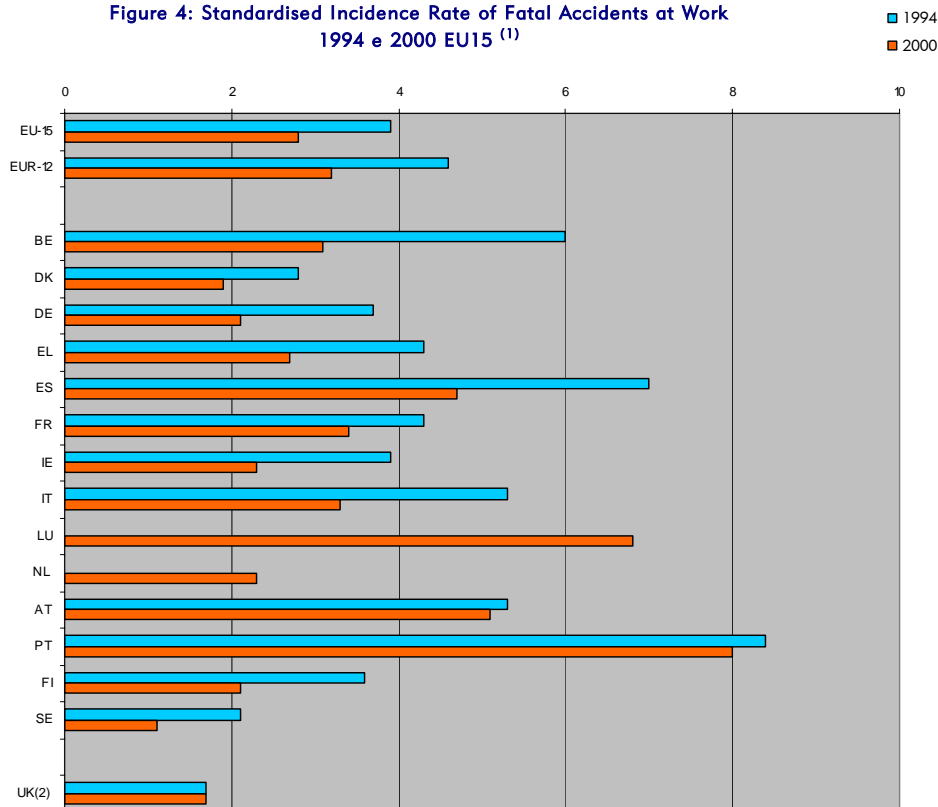
By economic activity, manufacturing comes first, with 37% and construction comes second, with 22%. In what concerns fatal accidents, construction (28%) surpasses manufacturing (21%).

Global incidence rate of non-fatal accidents (per 100.000 workers), in 2000 (Figure 3) was 5.546.9. Extractive industries had the highest incidence level, followed by fishing, construction and transforming industries.

The Portuguese rate of fatal accidents at work in 2000 (Figure 4) was 8.0 per 1000, by far the higher of EU 15, and almost three times more than the European average (2.8):



**Figure 4: Standardised Incidence Rate of Fatal Accidents at Work
1994 e 2000 EU15 ⁽¹⁾**



(1) Number per 100,000 workers. Excluding road traffic and transport accidents in the course of work.

(2) United Kingdom: data just from Great Britain.

Source: European Statistics on Accidents at Work (ESAW).

These figures reflect the low level of attention paid to safety at work in Portugal. The problem lies at both individual and corporate level.

There is resistance against following the rules and people tend to be careless, thinking accidents only happen to others. Sometimes safety equipment is available, but workers prefer not to use it, just because it's more comfortable to work without it. When it comes to security matters, these characteristics can be very costly.

On the other hand, some company owners seek profit at all cost, ignoring basic safety rules and not providing the appropriate safety equipment. This problem is particularly serious in the construction sector, where underprivileged illegal immigrant workforce has a significant weight.

Although it is not a particularly popular issue at a national level, safety at work is growing in importance. The number of OHSAS 18001 certified companies is still very small (54) but almost all of these few certifications were obtained in the last couple of years.

At this point, it is important to stress out that, for the same period of time the number of fatal accidents decreased significantly (44%).

Concerning work related diseases, we could not find statistics about the total incidence. In what concerns their relative weight by type, Portuguese men are in line with their European colleagues. Among the women, stress, depression and anxiety are particularly intense (34.3 %, which is 70% higher than the EU 9 average and 125% higher than Portuguese working men), which reflects the difficult equilibrium most female workers experience in the different social roles they are involved.

3.3. Adaptation to Change

During the last couple of years, unemployment rate has been on the rise, and so has the average time spent finding a new job, especially amongst women and the less educated.

There have been some examples of companies really trying to find social responsible solutions, such as contracting outplacement companies or promoting the creation of micro businesses by their former employees, but these good examples are still scarce.

In some traditional industries, the Portuguese development model has been based in a low cost workforce. This particular situation, joint with the rise of the Euro, led to the appearance of structural

unemployment problems, mainly due to the delocalization of factories in labour intensive industries, such as textile, electronics and others, particularly the ones belonging to multinational companies. Some of the companies that paid salaries to most of their labour force based on the national minimum wage, found themselves without margin of manoeuvre and had to downsize or even close doors.

In some of the above-mentioned cases it was possible to find some social responsible solutions, hiring outplacement services or supporting the creation of micro enterprises by the ex-workers, but the good examples in these matters seems to be an exception.

The social impact of such a situation can be very significant when the business is relatively big and located in a small village. This could, be for instance the case of Campo Maior, a small town situated near the Spanish border, where nearly 70% of the inhabitants depend on "Delta Cafés", a company recognised as socially responsible. Mr. Nabeiro, the founder and owner, is known to have refused several proposals to sell the company, mainly because he would not like to see it being dislocated from his hometown to a more central location, near the sea and the main consumption centers.

B - EXTERNAL DIMENSION

3.4. Local Communities

3.4.1. Sponsoring

According to the Report 2002/4 "European SMEs and Social and Environment Responsibility" from the Observatory of European SMEs, cash contributions are clearly dominant among the ways companies contribute to social, cultural and sporting activities. International research conducted at SME level places Portugal as the number one EU country in that indicator (80%). In Portugal, public collections are very popular. "Magic Firefly" - in favour of the unadapted children - and the one in favour of the Portuguese League against Cancer are famous and almost everybody contributes.

In-kind support is less popular.

The third sector organisations in Portugal are usually not market oriented.

Few present their initiatives in an appellative way targeted to the aspects enterprises are sensitive to. The great majority of them are neglect demonstrating how they spent the money collected. They are less imaginative then it was expected and tend to choose the apparently easiest way to get support: ask for money. Experience demonstrates that this perspective is often elusive: company managers prefer to give money to projects, rather than to institutions and to give in-kind contributions related to their business, if asked in a correct way and if they have available money.

Linkage between CSR policies and the companies' core business is far from dominant. Most of the times, the contributions are occasional and one-off, and unrelated to the business strategy.

There is a lot to do from both sides to change this reality. This being done, CSR policies would no more be an add-on to the business, but part of the business strategy itself and an additional sustainable factor.

3.4.2. Corporate Volunteering

2001 was proclaimed the European year of volunteering.

An experimental study conducted at that time by "Fundação Manuel Leão", which involved twenty 20 medium / big companies, arrived to the following conclusions:

Volunteer experience of job candidates is usually not valued, except in the services field and for managerial/coordination functions;

Most supported activities were cooperation for the development; solidarity, social and humanitarian assistance; education; training; sports; environment protection.

During that year, the first organised corporate volunteering initiatives emerged. The most relevant one, "Mão na Mão" (Hand in Hand) is coordinated by "Portugal Telecom Group" and involves 17 different companies.



Some statistics of the “Mão na Mão” project (September 2001 - April 2004):

- 19 initiatives;
- 1 483 volunteers;
- 17 146 labour hours;
- 528 institutions;
- 97 315 beneficiaries.

“Portugal Telecom group” also launched “Aurora”, a time bank for volunteering. Some statistics related to this project (up to April 04):

- 12 initiatives;
- 218 volunteers;
- 2 620 labour hours;
- 82 institutions;
- 13 658 beneficiaries.

3.5 Business Partners, Suppliers and Consumers

3.5.1. Development of Long-Term Partnerships

Compared to other European countries, Portuguese business owners tend to act in an individual way and hardly join to business cooperation and sharing information practices.

On the other hand, Portuguese companies do not often recognise the advantage of establishing long-term partnerships with suppliers as a means to achieve consistent high levels of performance and savings in non-quality costs. Especially among SMEs, it is common to try to find the best bargain in the market, rather than negotiating a fair trade with current suppliers.

Suppliers, on their side, tend to ease on the conditions agreed after obtaining a contract, and are generally not considered as reliable specially in what concerns quality and time of delivery.

Recent estimated data indicates that only 25% of the invoices are paid within the agreed term.

The above-mentioned climate affects the productivity rate of the Portuguese economy as a whole, with a few exceptions in sectors that managed to emerge as clusters in specific fields of agriculture, industry or services.

Some of the big and average top performing companies invest in the development of smaller supplier companies around them, offering long-term contracts, supporting their training activities and providing them access to the latest available information and to the sophisticated technological environment in which they live. This attitude leads to higher standards that in turn assure them high and consistent levels of service.

3.5.2. Supply Chain Ethical Control

In typical industrial sectors like textiles, foreign companies commonly subcontract Portuguese ones, mostly those concentrated in the northern part of the country.

Some of the contractors, namely American and European companies, are beginning to include social auditing as a requisite to be part of the supply chain.

Portugal is one of the 37 countries that signed the OECD Declaration and Decision on International Investment and Multinational Enterprises. The Portuguese Institute of Foreign Trade (ICEP) is the national entity responsible for the diffusion of these principles amongst Portuguese exporting companies.

3.5.3. Responsible Marketing

Act DL 330/90 regulates advertisement activities in Portugal.

The advertising market is dominated by a few global agencies, which tend to follow more or less strict codes of conduct. Some of the biggest advertising investors also have to follow their own internal codes.

In November 2003, the Portuguese Association of Advertisers (APAN) chose "Responsible Commercial Communication" as the subject for their 14th meeting. The Association developed a code of best practices and encourages its members to implement self-control rules and to submit their campaigns in advance to the copy advice of the Civil Institute for Self-discipline in Advertising (ICAP). This is also taken into account when a campaign follows under the action of the Advertisement Fine Commission (CACMP).

In early 2004, the Portuguese Association of Marketing Professionals (APPM) launched a Project called "Conscientious and Sustainable Marketing", which is currently in the "call for papers" phase and will end in September, with a workshop where the best works will be presented and the edition of a publication about sustainable marketing.

We also stress the importance of the Consumer Institute (IC) and the Portuguese Association of Consumer Rights (DECO), which act as market watchdogs.

The alcohol industry, for instance, established a rule according to which every commercial reminds consumers: "Be responsible, drink with moderation".

3.5.4. Design for All

Corporate awareness of accessibility problems by the physically impaired is still relatively recent. Regulations on this subject are not always respected namely in public buildings. Most large-scale new office buildings already incorporate elements more friendly to the disabled but there is much to do in what concerns private houses.

Design for all applies to both the planning and building of buildings and environment in which people live and to the characteristics of products available in the market.

Figura 5: Internet Accessibility Symbol



Concerning products available in the market, a few good examples can be found in the telecommunications sector, like phones designed to be activated by voice or one touch only, and internet sites with high contrast colours and big characters, particularly suited for the weak-sighted. The Government itself is very attentive on the characteristics of its sites, many of which carry the accessibility symbol presented (Figure 5).

3.6. Human Rights

As mentioned in point 1.1.4. of this report, Portugal subscribed all major ILO Conventions.

Portugal is known to have been one of the first countries to officially abolish slavery, in 1878. In the beginning of the XX Century, it was still accused by the British of maintaining slavery like conditions in some of its former African colonies. Up until the 80's, slave work almost disappeared, but unfortunately, it seems to have reappeared in the form of white slavery, related with prostitution and drug addiction. Illegal immigrants, and among them East European women, are the most vulnerable group, both because of their precarious situation and because they do not speak Portuguese at the time of their arrival.

The Portuguese Constitution (article 14) proclaims equal rights for all citizens, independently of their race, sex, sexual orientation or religion. Nevertheless, immigrants, women and ethnical minorities experience some degree of discrimination.

Freedom of association is also a Constitutional right (article 55). The Labour Code (articles 475-505) regulates all aspects related with Unions as well as the association rights of the employers.

Article 55 of the Labour Code establishes the minimum working age at sixteen. Some forms of child labour persist, especially in agriculture, family owned commerce and manufacturing industries, situation which contribute to the high level of school abandon before completing the compulsory education. Official authorities have problems dealing with these situations, acting mostly based on denounces from teachers and neighbours.

The Labour Code (article 24) prohibits sexual harassment in access to work or at the workplace.

3.7. Social Labels

To our knowledge, there isn't any national social label initiative in Portugal.

However, some exporting Portuguese companies in the textile sector follow the international Codes of Conduct approved by the "Clean Clothes Campaign".



3.8. Fair Trade Initiative

The first fair trade shop opened in the year 1999, in Amarante, 60 km away from Oporto. The fair trade concept appeared as an alternative to the conventional trade concept and is ruled by economic values as well as ethical values, including social and ecological aspects. The fair trade initiative fulfils some criteria: a producer fair salary, the guarantee that the producer will use part of the profits to satisfy community basic needs (education, health, vocational training, etc), the establishment of long term commercial relationships, payment in advance of part of the products, to avoid the use of child labour force and to promote the participation on the decision make process, the equal opportunities and the environmental protection.

The fair trade initiative gets support from a few local NGOs, but the common consumer still ignores it. By the end of 2003, there were nine shops exclusively dedicated to fair trade ("Lojas do Mundo") spread out throughout the country. Some other shops that sell biological/natural products and supermarkets have a small corner with fair trade products. Although there is no available information on the total turnover generated, it is clearly not very significant. All the stores are member of the recently established fair trade Portuguese coordination structure.

The movement leaders are preparing an import and distribution central and expect the number of stores and the total turnover to increase in the next few years.

CHAPTER 4. ENVIRONMENTAL RESPONSIBILITY

4.1. Management of Environmental Impacts and Natural Resources

4.1.1. Minimizing Environmental Impacts

Social responsible companies try to minimise the overall environmental impact of the products they sell. The type of components used and the choice of packaging materials, just to name a few, can make a lot of difference at the end of the day.

This kind of approach is gaining importance, especially amongst companies that have an ISO 14001 certification or are registered at the EMAS.

4.1.2. Product Lifecycle Approach

The product lifecycle concept is already familiar to most of the R&D and marketing managers of the big companies, but, unless in case of legal restrictions, economical reasons still tend to prevail over environmental conscience.

4.1.3. European Eco-label

Figura 6: European Eco-label Symbol



According to the data available in the site www.eco-label.com in May 2004 there are 43 different eco-labelled products available in Portugal, originated from 18 different companies. 8 products are Portuguese made, coming from 4 different companies: three of them are indoor painting companies ("Robbialac", "Dyrup" and "Hempel") and one sells textile products ("S.I.C.I. 93 Braga"), the only SME of the four. This last one sells "Natura Pura".

According to the person in charge of the Portuguese eco-label cabinet, there is one process almost ready in the tourist field, and it is probable that soon there will be another textile company with recognised products, as well as products coming from companies operating in new sectors like shoes and detergents.

4.1.4. Savings in Natural Resources Consumption

Apart from being an important CSR issue, aiming at saving natural resources consumption usually means saving money as well. Big industrial companies tend to monitor their consumptions and compare them with group and industry benchmarks. In fact, a good CSR report should always include numeric data about the main consumption key performance indicators (KPIs). Unfortunately, this doesn't seem to be the general rule in some of the reports we have looked at.

4.2. Global Environmental Concerns

Environment Legislation in Portugal is quite strong, but in compliance is significant. Most of it is quite recent and implementation is expensive namely to support the costs of polluting industries modernisation. As the social costs of closing those factories is too high, the only alternative is to let them continue to work in environmentally inefficient circumstances.

As a result, Portugal is far from being a good pupil at the EU level in fields such as the control of greenhouse effect gases, river pollution and the recycling of industrial and urban solid waste.

4.3. Sustainability Development Practices

2001 saw the appearance of the Portuguese branch of the WBCSD – World Business Council for Sustainable Development. By the end of 2003, it accounted thirty-eight members, among the most important groups and companies of the Portuguese economy, namely almost all of the big pollution makers.

The biggest Portuguese companies already understood clearly that they cannot be profitable in the long run unless they preserve natural resources and develop positive relationships with all of their stakeholders.



CHAPTER 5. SOCIALLY RESPONSIBLE INVESTMENT (SRI)

5.1. Social Ratings

There are no social ratings in Portugal.

According to a Member of the Board, the Portuguese CSR Association is currently preparing, in partnership with a Lisbon based Business School (INDEG-ISCTE), a self-assessment CSR questionnaire for the big companies. The Association will process the data, and distribute the results among participating companies only for benchmarking purposes.

The idea is only to produce a list of social responsible companies and not to launch a social rating. According to the promoters, the idea of companies competing in CSR doesn't make sense, because of the intrinsic nature of the subject.

5.2. Ethical Funds

If Portuguese investors want to place their savings in an ethical fund, for the time being they will have to place their money abroad, because there are no local ethical funds registered yet, contrary to the majority of the other EU 15 countries.

5.3. Companies listed in Social indexes

Currently, there is only one Portuguese company listed in the Dow Jones Sustainability Index (DJSI): "BRISA – Autoestradas de Portugal" (since 2002).

In 2003 there were two companies listed in the Financial Times 4 Good Index (FT4G): "BCP - Banco Comercial Português" and "BPI – Banco Português de Investimento",

Vodafone Telecel was listed on both indexes, but was retired from the stock exchange following a general OPA launched by Vodafone Group in 2003.

CHAPTER 6. CSR LEGAL FRAMEWORK



The legislation related with corporate social responsibility is quite wide and to list it exhaustively is not the purpose of this report.

Concerning the legislation that rules the stock market, the two most important documents are: the Commercial Societies Code and the Real Estate Code. In the website of the Real Estate Market Commission (CMVM) it's possible to find a list of the legislation published in 2003 concerning this issue.

Because of its degree of importance we will focus our attention on the recently approved Labour Code (Act n° 99/2003, dated August 27), which went into force in December 1, 2003.

However, a few aspects within training, health and safety at work, labour accidents and others are yet to be regulated.

Article 2 of the Code refers the total or partial transposition to the Portuguese legislation of a list of European Directives. We refer only the ones that are more directly related with the scope of our work:

- 75/117/EC – Equal payment between men and women
- 76/207/EC – Equal treatment between men and women in the access to employment, training and working conditions (changed by Directive 2002/73)
- 92/85/EC – 92/85/EC – Protection of working women in pregnancy and maternity
- 94/33/EC – Protection of young workers
- 94/45/EC – Workers representation committee in companies operating at EU scale
- 96/34/EC – Parental leave
- 97/80/EC – Burden of the proof in actions regarding gender discrimination
- 97/81/EC – Part-time labour
- 98/59/EC – Collective dismissal
- 99/70/EC – Limited duration contracts
- 2000/43/EC – Non-discrimination at work on the ground of race or ethnical reasons
- 2000/78/EC – General framework for equal treatment in professional activity
- 2001/23/EC – Protection of the workers in processes of company or establishment transfer

6.1 Health and Safety at Work

Safety, hygiene and health are treated in chapter IV of the Labour Code, which is yet to be fully regulated. The law establishes general principles and describes the obligations of employer and employee, the workers consultation process and the training obligations on this area. The employer has to provide hygiene, safety and health services at work for all.

In chapter V, the Code also regulates labour accidents. These are defined in a broad way, in order to cover all kinds of situations related to work or workplaces, including in itinere accidents. The law protects foreign citizens working in the Portuguese territory, but not voluntaries working occasionally for non-profit organisations.

The right to indemnity is inalienable and the employer has certain rehabilitation and occupation obligations in case of incapacity originated by labour accidents or any kind of illness.

The employer is also compelled to transfer the indemnity responsibility to an insurance company.

Professional diseases (chapter VI) are subject to the same articles as labour accidents, but have a few additional rules.

6.2. Social Audit Reports

Since 1985, companies with at least 100 employees must fill a form for statistical purposes and send it to the Ministry of Social Security and Labour (Act n° 141/85, dated November 14, changed by the Act n° 9/92, dated January, 22). Unfortunately, it is more frequently regarded as a routine form, than as a business tool.

Form contents include the following chapters:

- 1) Level of employment;
- 2) Labour costs;
- 3) Hygiene and staff security;
- 4) Training;
- 5) Voluntary social benefits.

6.3. Staff Training

The Labour Code establishes employer and Government obligation to promote training to young people entering the active life (Article 54).

Articles 123 to 125 describe the general principles of professional training, its goals and the minimum requirements for lifelong training: a minimum 10% of the workers with unlimited time contracts should have at least 20 hours of training per year (35 hours from 2006).

Article 137 expressly determines that all the employees with limited time contracts have the right to a percentage of training time that increases with time, with a maximum of 3% after 3 years.

6.4. Protection of Women, Minorities and Disabled People

In Section II of chapter I, the Code presents a list of articles (15^o a 90^o) that determine “personality rights”, equality and non-discrimination in general and gender equality provisions, protection of maternity and paternity, labour regime of minors, reduced capacity workers, impaired or chronicle disease workers, student workers and foreign workers. Each of these groups has some kind of specific protection.

It has to be said that, apart from childbirth licence (120 days for the mother and 15 for the father), the Government doesn't financially support most of the absences to work for reasons of care, neither parental leave and part-time work, which causes very few workers to effectively use the rights previewed in the law.

6.5. SRI and Pension Funds

The 2003 survey of global European fund managers, financial analysts and investor relations officers, produced by CSR Europe, Deloitte and Euronext, evaluates the volume of total SRI assets at the end of the second quarter 2003 in 12.2 billion €.

In Portugal, contrary to the majority of the other EU 15 countries, there are no ethical funds. There is no regulation yet that enforces pension fund managing companies to declare their social investment policy. Both situations are obviously related. Contrary to what is happening in other EU countries, we couldn't find any evidence of Social Responsible Investment winds blowing in Portugal in a near future.

Concerning Pension Funds, they appeared in Portugal in the mid 80's. In Table 3 we present some of the pension funds statistics published by the Portuguese Insurance Institute (ISP).

Table 3: Pension Funds Statistics in Portugal - 2001

DESCRIPTION	#
Total contributions (10 ³ €):	2.170.046
Amount of pensions paid (10 ³ €):	839.619
Beneficiaries of pension funds:	105.627
Participants:	283.244
Pension Funds Managing Entities:	30 (of which 17 were insurance companies)
Existing Pension Funds::	236 (of which 86 managed by insurance companies)

Source: ISP (Portuguese Insurance Institute).

In Table 4, we also present some statistics concerning social protection by the Government, published by the National Statistics Institute (INE) relative to December 2001:



Table 4: Social Protection in Portugal – December 2001

	DESCRIPTION	#
1)	Total beneficiaries of old age and survival pensions	2.171.643
	- Old age (former contributors to the welfare system)	1.556.780
	- Survival (non contributors)	614.863
2)	Total beneficiaries of health pensions	1.079.837
	- Illness subsidy:	521.907
	- Disability allowance:	357.327
	- Others	200.603
3)	Total beneficiaries of unemployment insurance	337.100

Source: INE (National Statistics Institute).

CHAPTER 7. NATIONAL SUPPORT INITIATIVES ON CSR

7.1. Financial Support to Social and Environment Certifications

Quality certifications and environmental certifications are eligible to financial support from "PRIME", the official company support programme managed by the Economy Ministry. Social certifications, such as SA 8000 are not yet included in the programme.

7.2. Fiscal Exemptions on Donations

Under the "Mecenato" Law (Act n° 74/99, March 16 and connected alterations), corporate and individual contributions given to registered non profit (or state) organisations - educational, cultural, social, environmental, scientific, technological or sporting - are deductible for tax purposes in 120 to 140%, up to a limit of 0.5% of turnover (or, in some cases, 0.8%).

7.3. CSR Awards

7.3.1. EXAME - Best Practices Award

In April 2003, the business Magazine "Exame" published a "Guide of Socially Responsible Companies". The guide included a CSR Top 10, followed by individual reports on CSR policy, social and environmental activities of each of the chosen companies. The candidates had to fill a form prepared by "Ethos", a Brazilian institute. A jury of six people analysed the results, along with the description of the social projects in which they were involved. It also included interviews with members of the jury and a comprehensive list of 37 relevant corporate social projects.

Table 5: Guide of Socially Responsible Companies 2003 (1)

COMPANY*	SECTOR	ORIGIN
Auchan	Distribution	France
British Petroleum	Petroleum	United Kingdom
DHL	Worldwide Express	USA
Hewlett-Packard	Information Technologies	USA
HUF	Electronic car locks	Germany
IBM	Information Technologies	USA
Novadelta	Coffee	Portugal
Siemens	Miscellaneous	Germany
Somague	Construction	Portugal (until 2003)
Xerox	Information Technologies	USA

(1) In alphabetic order.

Source: "Exame" magazine, April 2003.

7.3.2. CITE - Equality is Quality Award

The CITE (Commission for Equality in Work and Employment) organises an annual award to recognise best practices of companies that promote equality of opportunities between men and women and the conciliation of professional and family responsibilities. Twenty-three companies have been recognised since the creation of the award in 2000. In 2003, the winner was "Grohe Portugal", tap makers, subsidiary of German Group Grohe. Honourable mentions went to "Luizes Representações" and "Grafe Publicidade", two SMEs, the last one, for the second time.

7.3.3. IDICT - Prevent More to Live Better in the Workplace Award

The IDICT (a public body depending on the Ministry of Social Security and Work and dedicated to the development and inspection of the labour working conditions) launched in 2003 an annual award named "Prevent More to Live Better in the Workplace". The aim is to give public recognising to organisations and individuals that in each year distinguished themselves in the domains of innovation and best practices in the promotion of better working conditions and working accidents prevention. To see the 2004 award regulation and the winners in 2003 please check: <http://www.idict.gov.pt>. Candidates can come from enterprises, schools or public services.



7.4. Social Index

There are no social indexes in Portugal.

7.5. Regional or Local Initiatives

To our knowledge there is one relevant regional initiative (in "Évora" district, a district in the south of Portugal) aiming to promote corporate social responsibility in SMEs and micro enterprises. It's the "Citizenship Enterprise Award" integrated in a EQUAL project called "Todo o Terreno" promoted by the local municipality, the local public employment services and a farmer association. One of the project products, besides the awards to the winner enterprises, is a guide "Citizen Company – SME and Micro Company – Guide to Social Responsibility".

We are aware, too, that some municipalities casuistically approach companies and invite them to help solving some of the local social problems. The municipality of Oeiras (near Lisbon) is one of the examples to follow.

CHAPTER 8. OTHER CSR INITIATIVES

8.1. Cause-Related Marketing

Cause related marketing is increasing relatively fast.

To our knowledge, there are no available statistics about the penetration of cause-related campaigns and products, but we can easily tell that they are increasing every year. The ones that attracted our attention during 2003 (a list obviously not completed) were the following:

Table 6: Main Cause-Related Marketing Initiatives in 2003

COMPANY	SECTOR	ENTITY	SUBJECT
Auchan & others	Distribution	Food Bank	Famine combat
Delta	Coffee	East Timor farmers	Sustainable Development
Jazztell	Telecommunications	Ajuda de berço (child support)	Site building + you click and we give
Swatch	Watches	Ajuda de berço (child support)	Building a new house
TV Channels and Banks		Firemen + affected people	Fire crisis during the Summer

8.2. Research on CSR (2000 - 2003)

Two European research projects concerning CSR, which included Portugal, deserve reference:

- In 2000, the survey "European Attitudes towards Social Responsibility", conducted by "MORI – Market & Opinion Research International", on behalf of "CSR Europe". (12.162 interviews, of which 1.019 in Portugal)
- In 2001, the study "European SMEs, Social and Environmental Responsibility", presented as volume 4/2002 of the 7th global SME survey, conducted by "The Observatory of European SMEs". The report focuses in the external dimension of CSR (social and environmental) in 7 600 European SMEs

Following those, local entities also developed some work, although in smaller scale. The amount of research conducted by Universities, non-profit organisations and consultant companies increased significantly in the last couple of years, consisting mainly on exploratory studies. In Table 7, we present a not exhaustive list with the name/ description of the relevant research work on CSR done or ongoing, since 2001.



Table 7: Main CSR Research in Portugal (2001-2003)

YEAR	NAME / DESCRIPTION	TIPE	ENTITY
2001	Corporate Volunteering in Portugal	Brief Exploratory Research (20 companies)	Manuel Leão Foundation
2002	Social Responsible Investing and Mutual Funds Performance	Scientific Research	Minho University
2002	Ethical Management and CSR – the Portuguese situation	Exploratory Research (123 companies)	Aveiro University; Oporto Catholic University
2003	CSR and training	Thematic Workbook	Manuel Leão Foundation
2003	On our way to become Social responsible consumers	Exploratory Research	Spirituc Marketing
2003	Ethical Criteria, Social & Environmental Responsibility	Informal Research on the banking sector behaviour	OIKOS (NGOD)
2003 ⁽¹⁾	Social Responsibility Perception in Portugal	Qualitative Market Research	Sair da Casca / Multivária
2003 ⁽¹⁾	Management Solutions - The Sustainable Development Challenge	Exploratory Research (35 major companies)	Deloitte Consulting
2003 ⁽²⁾	Development of a Social Rating Model for Portuguese Companies	Master Degree Thesis	ISCTE University Lisbon

(1) Presented in early 2004.

(2) Ongoing.

8.3. Organizations Dedicated to CSR

In 1997, “Talentum”, became a member of the former European Business Network for Social Cohesion (EBNSC), which would later develop into “CSR Europe”. By that time, “Talentum” was the only Portuguese consulting company offering services in the field of CSR.

In 1998, appeared “PEC – Parcerias Empresariais e Consultoria”, a small consultant company which goal was to establish connections between Companies and the Civil Society. The company ceased working in mid 2003, when its American founder, Mrs. Norma Lehmann went back home.

In 2000, “PEC” inspired the appearance of “GRACE”, an informal group of companies, mainly multinationals, which aimed to reflect about CSR and act as good corporate citizens.

2001 saw the appearance of “CEDS”, the local branch of the Business Council for Sustainable Development (WBCSD), which gathered some of the most important Portuguese companies.

Later on, in 2003, a group of people connected to “Talentum” and lead by Prof. Ribeiro Mendes, created “RSE”, the Portuguese Association of CSR, which is the national partner of CSR Europe. Its goal is to promote and disseminate CSR issues at a national level.

In Table 8, we present a list of Portuguese non-profit organisations dedicated to CSR, and the number of associated companies in December 2003 that we could find during our research.

Table 8: Organisations Dedicated to CSR in Portugal – December 2003

LAUNCH YEAR	NAME	TIPE	# MEMBER COMPANIES ⁽¹⁾
2000	GRACE – Grupo de Reflexão e Apoio à Cidadania Empresarial	Non profit Corporate Association	12
2001	CEDS Portugal – Conselho Empresarial para o Desenvolvimento Sustentável	Non profit Corporate Association (National Branch of the WBCSD)	38
2003	Associação RSE – Portugal	Non Profit Association (National Partner of CSR Europe)	11

(1) Total: 61 companies (Some companies are member of more than one of the listed organisations).

There are presently at least five consultant companies active in the field of CSR, fact that reveal the growing importance of this issue in Portugal. Some of the larger multinational consultant companies with offices in Portugal as well as law firms connected with the business world are aware to this subject.

8.4. Main CSR Events during 2003

The number of related events organised and the number of people attending testify the growing importance of CSR in Portugal.

Before 2003, events about CSR in Portugal were rare and never attracted many people. In 2003, the situation changed dramatically. According to the research made for this report, at least 20 CSR related events took place during 2003, mobilising near 2.500 participants. The most relevant ones occurred in the last eight months of the year and are described in the table below:

Table 9: Main CSR Events in 2003

DATE	TITLE	ORGANISER	# PARTICIPANTS ⁽¹⁾
May, 9	Competitiveness and CSR International Conference (Road Show of CSR Europe Campaign)	Associação RSE Portugal (National Partner of CSR Europe)	200
June, 16/17	Seminar on CSR	IDICT – Labour Conditions Inspection & Development Institute (Ministry of Employment and Social Security)	220
July, 3	In Search of Sustainable Excellence	APCER (Portuguese Certification Association) / AEP (Portuguese Enterprise Association)	600
November, 6	Corporate Responsible Communication	APAN (Portuguese Association of Advertisers)	60
November, 11/12/13	Quality, Sustainability & Social Responsibility	APQ (Portuguese Association for Quality)	250
November, 11	Citizenship, Employment and Participation	AIP (Portuguese Industrial Association)	300
November, 24/25	Social Responsibility & Globalization International Conference	FORUM DC Magazine	80

(1) Approximately figures given by the organiser or estimated in the event place.

8.5. Press Coverage of CSR during 2003



CSR became quite fashionable during 2002, for the worst reasons, the Enron/Andersen crisis, and in 2003, especially after the "Prestige" Oil spillage disaster, near Galicia.

During 2003, press coverage of CSR related matters experienced a significant boom. The issue was twice cover story of "Exame", the most influential business magazine in Portugal. In April 2003, they published a Guide of the Socially Responsible Companies. In October 2003, the cover title was about business ethics: "Is your company ethical? How about you?"

Weekly newspapers, like "Expresso" and "Semanário Económico" published interviews and opinion articles, and "Semanário Económico" edited a "separata" about Sustainability, published in four volumes during the summer.

Radio stations, TV channels and daily newspapers gave a significant coverage to the main CSR events, namely conferences, workshops and corporate volunteering initiatives.

"NOVADELTA" (coffee) also received a good share of attention with its SA 8000 Certification.

In the above-referred research "Perception of CSR in Portugal", conducted by "Sair da Casca"/"Multivária" (2003), journalists proved to be less familiar with the concept than companies. Corporate scandals remained a much more powerful drive for the media than good deeds. Journalists justify it by the higher interest from the public in general by the negative side of the matter. Journalists complain they don't have enough information coming from the company side, but also revealed their fears of being manipulated by some companies, which only show the sunny side of their activities.

The same report presents an interesting summary table describing the way each of the player groups – Companies, Media, Third Sector, Unions and the Government – perceives itself and the other groups.

CHAPTER 9. OPPORTUNITIES AND OBSTACLES FOR CSR

The information presented in this chapter comes from two main sources of information:

Report 1: "European SMEs and Social and Environmental Responsibility": volume 4/2002 of the 7th global SME survey, conducted by "The Observatory of European SMEs" (2001). Questionnaire to 7600 European SMEs (no information available about the number of Portuguese companies involved);

Report 2: *Gestão Ética e Responsabilidade Social das Empresas: um Estudo da Situação Portuguesa* (Ethical Management and CSR: the Portuguese situation": an exploratory research conducted by AEP – Portuguese Enterprise Association, Aveiro University and Porto Catholic University (2002). Questionnaire answered by 123 companies, 80% of which were SMEs. The results of the research were also included in a book with the same title, written by Arménio Rego, José Manuel Moreira e Cláudia Sarrico and edited by "Principia" in September 2003.

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

According to report 1, the main reasons for SMEs to be externally socially active are ethics (44%) and the improvement of the relations with the community/public authorities (39%).

Concerning environment responsibility, legal compliance, cost savings, better image and pressure from the customers are the main motivations for being active.

Report 2 gives us further information: when asked why companies should involve themselves in CSR, 56% answered, "Because it's the right thing to do" and 35%, "Because it's a good strategy". Commercial advantages (5.5%) and profitability (3.5%) were the less chosen answers.

9.2. Identified Business Benefits

The main benefits identified by report 1 are the improvement of the relations with the community/public authorities (40%, the highest rate in EU 15, confirming the high importance of personal relationships in Portuguese business) and an increase in customer loyalty (33%), but many companies (36%) could not identify concrete benefits.

European SMEs clearly split in two groups of almost equivalent size: the socially active, mainly mature companies, those growing at a fast rate, innovative or providers of high quality products, which tend to continue doing it, and the ones that do not believe in the virtues of CSR.

70% of the SMEs tend to maintain the same policy they had in the past, 14% plan to increase social involvement and 7% to decrease it.

9.3. Existing Barriers to CSR Involvement

According to report 1, existing barriers to social involvement consist mainly in lack of awareness (24%), particularly among the smaller companies, followed by lack of time (19%) and the idea that CSR external activities have no connection with the company business (17%). Lack of money is also important (16%), especially for smaller companies. Public support does not seem to be important.

Concerning environment responsibility, the main obstacles identified are lack of human and financial resources, attitude and company culture and lack of awareness. Concerning existing barriers, the report only presents aggregate figures for all the countries involved.

In its conclusions, (page 52) report 1 stresses the lack of research done on CSR for SMEs and points out some of the areas where it could be useful. It also suggests what should be the role of the public authorities in this field.

Report 2 provides some interesting insights about Portuguese companies that can be very useful for the next phases of the project "Promoting Social Responsibility in Small and Medium Size Enterprises".

The tables below were taken from the report 2 and adapted.



Table 10.1: Ethical Management and CSR: the Portuguese Situation – EU Role

1. ROLE OF THE EUROPEAN UNION: ACTIONS TO BE TAKEN	MOST URGENT	MOST IMPORTANT	MOST IMPACTING
Produce a European standard (voluntary) to help promote transparency and good practices in CSR	25 %	26 %	14 %
Incentive and support benchmarking and consensus building in terms of good practices, evaluation and control of CSR	11 %	21 %	5 %
Incentive pilot-experiences in companies	12 %	12 %	17 %
Subsidy CSR strategies	6 %	8 %	16 %
Launch awareness campaigns and organise <i>forum</i>	11 %	9 %	36 %
Incentive training programs in CSR for managers and company owners	35 %	24 %	12 %

Source: Rego A., Moreira J.M., Sarrico C. "Gestão Ética e Responsabilidade Social das Empresas: um Estudo da Situação Portuguesa" (Ethical Management and CSR: the Portuguese Situation), Principia, 2003 (adaptation).

Table 10.2: Ethical Management and CSR: the Portuguese Situation – Meetings Level

2. LEVEL AT WHICH CSR INFORMATIVE MEETINGS SHOULD BE HELD	TOTAL
International level	32 %
National level	39 %
Regional level	24 %
Local level	5 %

Source: Rego A., Moreira J.M., Sarrico C. "Gestão Ética e Responsabilidade Social das Empresas: um Estudo da Situação Portuguesa" (Ethical Management and CSR: the Portuguese Situation), Principia, 2003 (adaptation).

Table 10.3: Ethical Management and CSR: the Portuguese Situation – Meetings Type

3. INFORMATIVE MEETINGS SHOULD BE ORGANIZED...	ALL COMPANIES	< 250 EMPLOYERS
By sector	52 %	53 %
Involving multiple sectors	48 %	47 %

Source: Rego A., Moreira J.M., Sarrico C. "Gestão Ética e Responsabilidade Social das Empresas: um Estudo da Situação Portuguesa" (Ethical Management and CSR: the Portuguese Situation), Principia, 2003 (adaptation).

Table 10.4: Ethical Management and CSR: the Portuguese Situation – Evaluation Tools

4. EVALUATION OF CSR: ETHICAL STANDARDS SHOULD BE...	ALL COMPANIES	< 100 EMPLOYERS
Similar to ISO standards	43 %	38 %
More flexible and easy to follow standards	57 %	62 %

Source: Rego A., Moreira J.M., Sarrico C. "Gestão Ética e Responsabilidade Social das Empresas: um Estudo da Situação Portuguesa" (Ethical Management and CSR: the Portuguese Situation), Principia, 2003 (adaptation).

Table 10.5: Ethical Management and CSR: the Portuguese Situation – Business Practice

5. BUSINESS PRACTISES THAT HELP COMPANIES MANAGE CSR	ALL COMPANIES	< 250 EMPLOYERS
Management systems (environmental, risk prevention, etc.)	32 %	50 %
Codes of Conduct / Business Principles Statement	22 %	20 %
Social responsible investment	20 %	15 %
Formal procedures of social and ecological nature	10 %	15 %
Philanthropy and solidarity actions	8 %	0 %
Ethical committees	4 %	0 %
Sustainability reports	4 %	0 %

Source: Rego A., Moreira J.M., Sarrico C. "Gestão Ética e Responsabilidade Social das Empresas: um Estudo da Situação Portuguesa" (Ethical Management and CSR: the Portuguese Situation), PrincípiA, 2003 (adaptation).

9.4. Conclusions

Attitude in general and lack of awareness in particular seem to be the common elements of both social and environmental aspects of CSR, especially at SMEs level.

These points reinforce the importance of implementing information campaigns about CSR in Portugal as well as developing training materials on the subject and diffuse them amongst the public in general and SMEs managers in particular.

NATIONAL CSR KPI's (KEY PERFORMANCE INDICATORS) 2003 ¹



KPI- KEY PERFORMANCE INDICATORS		# PORTUGAL
1	ISO 14001 Certifications	243
2	EMAS Registrations	14
3	OSHAS 18001 Certifications	54
4	SA 8000 Certifications	1
5	CSR reports published ²	25 +
6	Case studies listed in Smekey CSR Europe site ³	0
7	Social labels / Fair trade labels	0
8	Fair trade commerce volume; # stores	n.a.; 9
9	European Eco-label products produced; available	8; 43
10	Local Organisations dedicated to CSR; # member companies	3; 61
11	Relevant CSR events; # people involved	20; 2500
12	Relevant corporate community involvement initiatives	2
13	Univ. Doctorates, Masters and Post-Graduations	1
14	Overall research on CSR (# of studies)	9
15	Media coverage of CSR	Average, growing
16	CSR Awards	3
17	Consultant companies offering services on CSR	5
18	% of permanent contracts	79
19	% of women in total workforce	46
20	Average weekly working hours	36.9
21	Incidence rate of fatal labour accidents (<i>per 1000</i>)	9.7
22	% of health and safety costs on total labour costs ⁴	0.8
23	Average training hours per employee per year	4.8
24	Incidence of staff involved in training	18.8 %
25	Weight of supplementary social protection charges ⁵	15.2 %

¹ Except where indicated

² Source: www.corporateregister.com

³ Source: www.smekey.org/reports/default.asp

⁴ Source: National Social Audit 2000 (companies with 100+ employees)

⁵ Source: National Social Audit 2000 (companies with 100+ employees)

BIBLIOGRAPHY

Reference Documents

AccountAbility, "National Corporate Responsibility Index", 2004

AEP / Fundação Manuel Leão, "A Responsabilidade Social da Empresa e a Formação" (*Corporate Social Responsibility and Training*), 2003

Código do Trabalho (*Labour Code*) – Act No. 99/2003, August 2003

Conselho Económico e Social (*Social and Economical Council*), "Parecer de iniciativa sobre a responsabilidade social das empresas" (*Statement on Corporate Social Responsibility*), 2003

CSR Europe, "It simply works better! – Campaign Report on European CSR Excellence 2003-2004: Making Stakeholder Engagement Work", 2004

CSR Europe, Deloitte and Euronext, "Investing in Responsible Business", Survey, 2003

European Commission, Employment and Social Affairs, "Promoting a European framework for Corporate Social Responsibility - Green Paper", 2001

European Commission, Employment and Social Affairs, "Social Situation in the EU", 2003

Eurostat, "European Union Labour Force Survey", 2002

Expresso, (*Portuguese weekly newspaper*), edition nº 1644, 1st May 2004

Horta e Costa, M., "Voluntariado na Portugal Telecom" (*Volunteering in PT Telecom*), communication presented in a Corporate Volunteering Conference promoted by CNPV – Conselho Nacional para a Promoção do Voluntariado (*National Council for the Promotion of Volunteering*), 2004 (not published)

IAPMEI (*Institute for the Support of small and medium size enterprises*) "Estrutura Empresarial Nacional" (*National Corporate Structure*), 2002

Instituto Nacional de Estatística (*Statistics National Institute*), "Estatísticas Nacionais do Emprego" (*National Employment Statistics*), 2003

Ministério da Segurança Social e do Trabalho (*Portuguese Ministry of Social Security and Labour*), Balanço Social (*National Social Audit Report*), 2000

MORI, "The first ever European Survey of Consumers' attitudes towards Corporate Social Responsibility", November 2000

Observatory of European SMEs "Report 2002/No 4 – European SMEs and Social and environmental responsibility", 2002

Rego, A; Moreira, J.M.; Sarrico, C, "Gestão Ética e Responsabilidade Social das Empresas: um estudo da situação portuguesa" (*Ethics and Corporate Social Responsibility: a Portuguese Situation Study*), Principia Editions, 2003

Ribeiro Mendes, F., "Responsabilidade Social da Empresa" (*Corporate Social Responsibility*), communication presented at a conference promoted by "Fundação Oriente", 2003 (not published)

Sair da Casca / Multivária "A Percepção da Responsabilidade Social em Portugal" (*Corporate Social Responsibility Perception in Portugal*), April 2004

Online Sources

<http://conventions.coe.int/Default.asp>

www.apan.pt/not.php?ID=196

www.appm.pt/newsletter_200402.html

www.cite.gov.pt/

www.corporateregister.com

www.eco-label.com

www.europa.eu.int/comm/eurostat/

www.idict.gov.pt

www.ine.pt

www.smekey.org/reports/default.asp

www.transparency.org/



Leonardo da Vinci Pilot projects

This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Promoter



Centro de Formação Profissional
para o Comércio e Afins

Partners

