Environmental sustainability and social responsibility

Sônia Araripe, from Rio de Janeiro

For years, for lack of a better definition sustainability has been defined in terms of and confused with philanthropy, charity, or marketing activity. More recently, however, as the issue gained urgency and pressure increased from different stakeholders in society, it became necessary to make up for lost time and face its true magnitude. The corporate world capitulated to what earlier may have seemed to be a passing fad and came to the conclusion that it is indeed necessary to adopt sustainable practices in daily life and include them once and for all in their strategic planning. Now, sustainability has become one more aspect of company business.

"There is no turning back. A company must practice sustainability; otherwise it runs the serious risk of being left outside the competitive global market," warns Carlos Rossin, a PricewaterhouseCoopers partner who is an expert in this area. Tapping into the experience of those who can run strategic planning, in the hands of company executives sustainable practices start to make practical sense and may generate profits or prevent losses. It goes without saying that they also bring good returns in terms of image and reputation. "A transparent and sustainable corporation has great assets," Rossin underlines. He adds that the issue is moving from the communications and marketing area to a more technical one. "There is a very important market value involved," he stresses.

Pressure

Yet articulating this entire process is no easy task. Companies need to ensure their own survival, the perpetuation of their businesses in times of increased pressure from all sides. Because the planet is at risk, the issue has decidedly become everyone's priority, from the young student worried about the lack of recycling facilities in the neighborhood to elected officials and experts dedicated to mitigating the crisis triggered by global warming. A loud choir has become aware of and has begun, above all, to demand coherent social and environmental action.

While in the past the less

credulous considered this to be an issue for a few experts alone, suited for members of nongovernmental organizations and academic circles with very little exposure, in recent years there is an awareness that the urgency demands a general mobilization. "The pressure is intense and demands concrete action. A company that does not know how to deal adequately with the community will have serious difficulties," warns Patrícia Centeno, manager at BDO Trevisan. Often such issues are raised by international multilateral institutions, shareholders, or banks granting credit. According to Centeno, despite the financial crisis, demand for consulting services in the field of sustainability has increased in recent years: "Companies realize that being sustainable is a competitive advantage."

The large Brazilian corporations are renowned for their environmental sustainability, social responsibility and corporate governance in Latin America. A recent study published by Management & Excellence (M&E), a strategy consulting company that has operated in Brazil for eight years, assessed the performance of the 50 largest Latin American companies with regard to sustainability, social responsibility, and corporate governance, analyzed in terms of 140 criteria that took into account risk analysis and financial and process indicators. The study analyzed companies in Brazil, Mexico, Argentina, Chile, Peru, and Venezuela. Brazilian corporations led the ranking, with CPFL (energy) in the first position, followed by Petrobras (oil), Embraer (aeronautics), and TAM (air carrier). Usiminas (steel) and Eletropaulo (electricity) share the fifth position, and Mexican companies Cemex, Perdigão (food), and Vivo (telecommunications) rank sixth, above the Mexican operations of Wal Mart (retail).

The Brazilian Institute of Economics of the Getulio Vargas Foundation separately studied global Brazilian corporations that are known for adopting sustainability in their business plans. The companies included financial institutions Bradesco, Itaú, and Santander Brasil (together with Real), as well as Brasken, Coca-Cola, O Boticário, Petrobras, and Vale. Executives from those companies explained how sustainable production works in practice.

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Clean energy

Experts were also consulted to show the importance of clean energy and of businesses generated with carbon credits. New technologies, such as ethanol, biodiesel, and wind energy, are being adopted and show great growth potential. The investments in green technologies are very close to what is still seen in information technology (IT) as thousands of businesses introducing innovative products continue to sprout. Richard Youngman,

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European managing director at Cleantech, in a recent lecture in London claimed that clean energy has already become one of the most attractive segments for risk capital in the world, second only to IT. About one-fourth of all risk capital is invested in clean technologies, he said.

Remarkable development in this area can be seen particularly among major global corporations; however, according to the experts caution is recommended when making investment decisions on sustainability. "Often, companies ignore how much exactly they are spending, where to spend, and how to do it correctly," warns Orlando Lima, director of Janus Consultoria em Sustentabilidade. "The first problem companies face is determining how much they have effectively spent and invested in socio-environmental projects and actions. Company accounts are seldom prepared to provide a precise report," he says. "There are also difficulties associated with the breakdown of social and environmental costs incorporated into production processes or into commercial and administration lines."

Many specialists cite the accounting for and metrics of quantifying the results as a major difficulty when it comes to verifying what has been done in terms of social and environmental actions. According to the Global Reporting Initiative (GRI), balance sheets help but cannot work miracles. "I see many companies that are still undergoing a transition process," Lima says. "They are interested in enhancing their knowledge of the issue and want quickly to carry out social responsibility actions, mostly directed toward institutional marketing. Most of them still have a long way to go before sustainability becomes effectively incorporated into their business agendas."

Lessons

Even though companies have started to incorporate sustainability issues into their strategies, the work is far from completed, Roberta Simonetti, professor at the Center for Studies on Sustainability at the Fundação Getulio Vargas Business School, reminds us. What is missing is adoption of the concept by the entire universe of companies, large or small. The issue of image and marketing is also important. In some cases, Simonetti says, companies have not made an authentic commitment to sustainability: "There are still companies that consider this change as an additional 'cost' or 'work' involving, for example, producing reports on sustainability or filling out questionnaires, such as the Business Sustainability Indicator (ISE) of the BM&F and BOVESPA (the Commodities and Futures Exchange and São Paulo Stock Exchange). Those companies have not effectively incorporated those issues into their practices; the issues are still not part of their strategic planning."

The FGV Sustainability Center is conducting several programs that demonstrate the growing involvement and interest in the issue on the part of companies. In addition to the ISE, it offers the Companies for the Climate project and a program on the Green House Gas Protocol whose objective is to promote the protocol and prepare companies to create greenhouse gas emission inventories.

Simonetti reminds us that Brazil is recognized for its maturity in the field, in spite of some backward steps or a slower pace than desired. For example, Brazil is the Latin American leader when it comes to GRI reporting on sustainability performance. While this is highly positive, Simonetti warns of the risk of a company becoming a specialist in reporting rather than effectively changing strategies and practices. And she emphasizes that there is still a lot to be done: "Companies and financial institutions could invest more in research and development, particularly those companies that focus on sustainability."

Success stories

Several corporations, among them O Boticário, Coca-Cola Brasil, Petrobras, and Vale, report success in convincing suppliers to adopt the same sustainable standards. This process can neither be imposed nor made mandatory, but it is to be hoped that the process will help build a new society based on equitable and ethical principles from both a social and an environmental perspective. "One must work both at home and outside," stresses Malu Nunes, manager of social responsibility of O Boticário and executive director of Fundação O Boticário.

There are daily challenges, such as identifying the way to communicate actions correctly, to be seen and to face pressure agents, for example. The recent "Farra do Boi" report by Greenpeace Brazil, containing data gathered over three years of research on the Amazon region cattle production chain, is an example.

Patricia Ashley, professor in the Department of Accounting Sciences at the Federal University of São João del Rei, is an expert on corporate ethics and social responsibility. She emphasizes that companies are under increasing pressure not only from society and consumers but also, and more significantly, from the financial system, which introduces new demands from investors and shareholders wishing to assess the social and environmental risks of the projects they finance: "We advocate that new legal instruments — such as the incorporation of socio-environmental criteria — also be included in government procurements and in tax policy related to companies and products."

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