Country briefing: Brazil

29 Leading companies more responsible
33 Civil society cooperation
35 Enough legislation?

Overview

Champions in the making

By Oliver Balch

Brazil's biggest companies have been quick to embrace global trends in corporate responsibility

"Gooooaal!" The annual Global Reporting Initiative conference is not the usual setting for the cries of football fans. Yet the august gathering in Amsterdam in May witnessed a truly world-class performance by Brazil. The country claimed each and every award for non-financial reporting issued by the global standards body.

True, it may be a far cry from winning the Fifa trophy, but the clean-sweep shows just how much progress South America's largest economy has made in corporate sustainability in recent years.

Reporting marks the tip of a growing iceberg. A good sustainability report reflects systemic management as well as a proactive approach to stakeholder engagement and issue identification. It proves that a company makes a priority of performance measurement and target setting. Brazil's leading companies tick all those boxes.

As the country's economy has expanded and globalised, Brazilian companies are seeking to keep pace with their international peers. That drive extends to corporate responsibility.

The results are impressive. Brazil boasts seven companies in the Dow Jones Sustainability World Index. China and India, the only other emerging markets in the list, count only one component company each.

Initiative adoption

Government impetus has helped. In contrast to other Latin American countries – with the possible exception of Chile – Brazil has been quick to endorse relevant international corporate responsibility accords and initiatives. The Millennium Development Goals, the OECD Guidelines for Multinational Companies and Agenda 21 (signed at the watershed Rio Earth Summit in 1992) represent notable examples. Together they provide an enabling environment for responsible business.

Leading companies have taken the cue. The Global Compact provides a recent example. Brazil has 338 corporate signatories to the United Nations-backed initiative. Membership of the 10-point scheme covering environmental, social, labour and human rights issues has grown by 48% in the past two years alone. Now only three countries (Spain, France and the US) have more signatories.

As well as providing a simple way to engage companies on universal responsibility themes, the Global Compact also meets a domestic wish to "facilitate interaction between Brazilian and international companies", says the compact's national committee president, Vitor Seravalli.

That same desire explains the considerable appetite of Brazilian companies for global management standards. Brazil, for example, features among the top-10 adopters of the framework ISO 14001 standard for environmental management. Similarly, it ranks third in the world for take-up of the SA8000 norm for labour standards.

The influx of foreign companies into

Brazil over the past decade or more has acted as a parallel spur to the professional management of corporate responsibility. Fifty large US companies, for instance, have grouped together to push best practices in Brazil under the Unidos initiative. Supported by the American Chamber of Commerce and the US embassy, the scheme counts the likes of Accenture, American Express, Coca-Cola, Dell, Fedex, Esso and Monsanto among its members.

Given the pressure from international civil society groups and consumers, foreign investors have worked especially hard to ensure labour compliance in their direct operations and supply chains. This has served to generally raise the bar, particularly in the agricultural and textile sectors.

Home advantage

The story of Brazil's race to become a competitive, global economy comes with some important provisos. First are the developmental challenges. But poverty reduction plans appear to be working. The number of people living below the poverty line has decreased by 81% since 2000, according to the Brazilian Institute of Applied Economic Research. Yet access to basic health and education remain key challenges for large portions of the population.

Second is the speed of globalisation. Some sectors, such as banking, mining and energy, can now genuinely claim to compete on the world stage. Likewise, it is from these industries that the corporate responsibility pace-setters emerge.

Brazilian companies are seeking to keep pace with their international peers

The vast majority of domestic companies are still playing catch-up. Historically, corporate responsibility has been characterised by non-strategic philanthropy. In the Brazilian business lexicon, "CSR" continues to mean support for education and community projects.

Nor does the emphasis on international norms mean that Brazil has adopted an entirely westernised approach to corporate responsibility. Different stakeholder dynamics account for a local flavour to company approaches. Labour unions and political parties, for instance, exert considerable influence on businesses in Brazil (political contributions remain the norm, for instance). By the same token, the hand of consumer groups and civil society organisations is less prevalent.

Then there are Brazil's unique challenges. Basic employability and education remain issues of vital importance for the country's continued growth. With over half (57%) of the country's land mass covered by the Amazon rainforest, deforestation and biodiversity conservation are also national imperatives.

Brazil continues to face huge social and environmental challenges. Far from being part of the problem, the positive trajectory of corporate responsibility promises to make the private sector part of the solution. ■

Brazil corporate responsibility factsheet

Socio-economic statistics

Population: 201 million
GDP (purchasing power parity, 2009 est.): €1.64tn
GDP per capita (purchasing power parity, 2009 est.): €8,250
Population below the poverty line (2008): 26%
HDI: 0.813, ranked 75th out of 182 countries

Current leadership:

President: Luiz Inacio Lula da Silva (since 2003)
Type: federal republic

Key trading partners:

Top exports	Top imports
13.7% to US	14.9% from US
8.7% to Argentina	11.6% from China
8.1% to China	7.9% from Argentina

Unemployment rate: 7.4% (2009 est.)

Primary industries: Textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles, machinery and equipment

References:

- Socio-economic statistics obtained from recent publications by the IMF, the Brazilian government, the CIA Factbook and the Human Development Index.
- Corporate responsibility statistics obtained from a June 2010 Ethical Corporation survey.
- Guideline and standards statistics obtained in June 2010 from official website of each initiative.

Ethical Corp survey results

Results of Ethical Corporation survey of local sustainability professionals
(Please note that the response rate of n=29 is not high enough to be statistically significant)

Number of employees spending >= 50% time on CR/sustainability team (n=29):
7% have over 10 employees
21% have 5-10 employees
48% have 2-4 employees
14% have 1 employee
10% have none

Size of CR/sustainability budget (n=29):
45% have a budget over €30,000
7% have a budget €20,000 to €30,000
10% have a budget €10,000 to €19,000
10% have a budget €5,000 to €9,999
21% have a budget €1,000 to €4,999
7% have a budget under €1,000

Focus of CR/sustainability team (n=29):
Reporting (**34%** indicated it as a main activity)
Performance measurement (**31%**)
Building corporate reputation (**28%**)

Partnerships and collaboration:
Assessing environmental and other risks (**24%**)
Compliance with legislation (**24%**)

Local sustainability leaders (most mentioned):
Natura **77%**
Vale **30%**
Petrobras **19%**

Foreign sustainability leader (most mentioned):
Wal-Mart, Coca-Cola **19%**
ABN Amro **15%**
Alcoa, Shell, Nestlé **12%**

Top three challenges and risks:
Climate change and environment
Poverty and economic growth
Corporate governance and integration of sustainability

Top three opportunities:
Energy efficiency and renewable energy
Income generation/economic development
New agribusiness and biodiversity

Guidelines and initiatives most preferred:
GRI
Global Compact
Brazilian Sustainability Stock Exchange Index (ISE)
AA1000

Guidelines and standards statistics:
Number of GRI reports in 2009 **66** (17 in 2010)
Number of DJSI licensees **0**
Number of Global Compact participants **339**
Number of UNPRI signatories **42**

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Corporate challenges

Brazilian big business takes responsibility on board

By Oliver Balch

Larger companies are talking about corporate responsibility. Smaller companies need to join in

Corporate responsibility has become big news in Brazil. From billboards to business school curricula, messages about companies' social and environmental commitments and activities are everywhere. There is even a programme on national television about the subject.

Is it just a fad? Do companies' practices contradict their rhetoric? The questions are valid. Few companies operating in Brazil can genuinely claim to have a strategic, fully integrated corporate responsibility programme in place.

Beat Grueninger, director at the specialist advisory firm BSD Brazil, says most companies still direct corporate social responsibility through a charitable foundation or independent institute.

There are exceptions. Brazil boasts an advance guard of business leaders that have been pushing Brazil's private sector to tackle critical social and – more latterly – environment issues.

Cosmetics giant Natura, state-owned energy company Petrobras, mining giant Vale, utility Endesa and large financial institutions such as Banco do Brasil, Banco Santander and Itaú Unibanco are among those widely cited as industry leaders.

Gathering pace

Interest in corporate responsibility may have accelerated hugely in recent years, but it is not new. Back in the early 1980s, the industry-backed Abrinq Foundation was running a high-profile campaign to eliminate child labour. Around the same time, the Brazilian Institute of Social and Economic Analyses (Ibase) was pushing for companies to produce "social balances" to account for their societal impacts.

"In the 1980s and 1990s, a series of new executives who studied abroad returned to Brazil and wanted to make a contribution," Grueninger says.

Arguably these disparate efforts crystallised under the umbrella of the Ethos Institute. Set up in 1998, Ethos wears many hats, from public awareness raising and public policy programmes to professional training for its corporate members (see box on p32).

In recent years, internationalising corporate responsibility has emerged as a key concern for Ethos and the companies it represents. Its recent annual conference illustrated the point. Speakers from around the world filled the rostrum. Likewise, the agenda had a distinctively global flavour: delivering on the Earth Charter, developing sustainable business solutions with "planetary scale" and contributing to the Millennium Development Goals through the Global Compact, to name just a few.

That said, Brazil is not without its local nuances. The Ethos Indicators and the Brazilian Association of Technical Norms (ABNT) NBR 16001 standard represent two successful attempts at national standard-setting for corporate responsibility.

As a general rule, the more globalised the sector in Brazil, the more globalised its approach to corporate responsibility. The banking sector is the best example. Anxious to compete on a global level, Brazil's large banks have begun championing sustainability in their internal practices.

Many financial institutions, for example, have introduced rigorous social and environmental risk assessment processes into their lending services (see

Ethical consumerism in Brazil: gaps and good intentions

- Three in four (**75%**) of consumers are "interested" in companies' social and environmental practices.
- More than one-fifth (**22%**) of consumers have bought ethical products or recommended a company for its ethical credentials, up from **12%** in 2007.
- **One in 10** consumers has boycotted companies for ethical reasons.
- More than four-fifths (**85%**) of Brazilians say they are concerned about climate change.
- Only **half** of Brazilian consumers believe that responsibility-related communications can be trusted.

Source: Market Analysis, based on a minimum of 800 home-interviews with adults aged 18-69 in Brazil's nine largest cities

Case study: Natura going neutral

Often described as South America's Body Shop, Natura has set itself the target of becoming carbon-neutral by 2011. Launched in 2007, the initiative is costing the cosmetics company **3.28m** reais ($1.81m) per year.

To meet its goal, Natura needed a verifiable carbon baseline. So, in 2006, it carried out a carbon footprinting assessment of its operations in line with the benchmark **GHG Protocol** initiative and Brazil's own ABNT NBR ISO 14064-1 standard.

"To know with the greatest precision possible the volume of greenhouse gas emissions is essential to put a project for the reduction and neutralisation of carbon into operation," says Marcos Vaz, director of sustainability.

The inventory is updated every year, and verified by third-party specialists auditors Det Norske Veritas, he adds.

In terms of reduction, the retailer estimates it can **decrease emissions** in its existing operations by **33%.** The figure could well be higher, Vaz says, had Natura not already been concentrating on reducing its environmental impacts.

Almost a decade ago, the cosmetics company implemented a **life-cycle assessment** process for its packaging – which accounts for 20% of overall GHG emissions. Under the system, Natura has been able to grade products according to their environmental performance and factor low-emission features into its product development.

Natura's reduction game plan includes measures from increasing renewable raw materials in its formulas (now **79%** of all content) to the use of renewable fuels. Most recently, the company has been concentrating on a more productive use of its regional distribution centres. In Mexico and Peru, meanwhile, the company has shifted distribution from air to sea.

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Smart forestation projects grow multiple benefits

Progress towards its carbon-neutral goal is steady. Natura has reduced relative emissions of carbon dioxide equivalent (CO_2e) per kilogram of product billed by **6%, 3%** and **5.2%** in each respective year since 2007. Overall CO_2e emissions actually increased in 2009 by 22% to just under **246,000 tonnes** – an increase primarily explained by the adoption of a more complete inventory.

Despite ongoing efforts, Natura is – and will continue to be – saddled with an emissions surplus. To hit its neutrality objective therefore requires offsetting. Every two years, the retailer invites organisations to propose projects that will compensate its own operational emissions.

The last batch of proposals focused on proven reduction approaches such as **reforestation, renewal energy** and **avoided deforestation**. The winning projects typically offer additional socio-environmental benefits as well, be they local income generation or biodiversity conservation.

Among Natura's future management challenges is the development of a system to identify the carbon footprint of individual products. At present, it measures only the origin and impact of the raw materials and packaging for each product.

In recognition of its advances to date, the retailer was invited by the United Nations Environmental Programme to form part of the Climate Neutral Network, a global forum on climate change.

Brazil's banks now sustainability champions

case study: Santander's Practicas programme). The process has been spurred on by the Equator Principles, a worldwide initiative to promote responsibility in project finance.

Where a country's credit-providers go, the corporate sector has a habit of following. Public companies, in particular, are learning to become more attentive to investors' concerns about corporate governance and transparency. In 2005, for instance, the Brazilian stock exchange instituted a new index (the Bovespa Corporate Sustainability Index) to track high performers.

Individual banks are also establishing designated credit streams to finance low-carbon technologies, renewable energies and other sustainability-focused enterprises.

The phenomenon also extends to the equity market. Brazil now plays host to dozens of ethical and sustainability-based funds, such as Itaú's Social Excellence Fund and Santander's Fundo Ethical.

Apart from investors, a variety of other stakeholder pressures have been pushing Brazilian companies to improve their responsibility practices. Chief among these have been employees.

The reasons are multiple. A large part of Brazil's global competitiveness depends on its human capital. Recruitment, retention and skills development have therefore emerged as critical management issues. By the same token, the country's highly regulated and unionised labour

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Case study: Sustainability in practice at Banco Santander

Global banks are well known for their cut-throat approach to competition, but there is at least one that believes in sharing. Spanish-owned Banco Santander Brasil has developed a unique programme that allows **others to learn** from its own experiences and expertise on sustainability management.

"Essentially we've condensed our experience into a two-day course, which we offer to clients and suppliers of the bank," says Sandro Marques, Santander's executive manager for sustainable management.

Santander has learned from its own efforts to **integrate sustainability into its core operations**, as well as those of Banco Real, the Brazilian bank that it acquired in late 2007. In addition to its own programmes, the Práticas em Sustentabilidade (Sustainability Practices) programme also incorporates cutting-edge examples from other businesses.

"It's our way of helping other companies to shorten their path to a more sustainable business ... We don't presume that our practices are the best, but they can inspire other companies," Marques says.

To date, more than 3,000 clients and suppliers have gone through the course. The training is strong on didactic and pedagogical content. Each participant leaves with a **draft action plan** tailored to his or her company. On completing the course, the most common step by attendees is to introduce a **robust governance framework** for the internal management of sustainability, feedback from the course shows.

Santander also provides an online training module that its own employees can access as well. In addition, the bank holds **public lectures** and operates an **open website** for anyone with an interest in learning more about sustainability. The online resource has had more than 1.2m hits to date.

From Santander's perspective, the course helps confirm its position as a market leader in sustainability, as well as serving to build a "critical mass in the market".

"It isn't a good idea if we develop specific services and products in sustainability and the market doesn't understand what we are offering," Marques says.

market places a considerable onus on employee relations and fair wages. Hot issues such as child labour and slave labour have accentuated this trend, particularly in the influential agricultural sector.

As for public pressure, while social expectations of companies are high, the influence of civil society has been hamstrung by a lack of coordination in the non-profit sector. Local communities have therefore typically become the object of corporate social investment endeavours, rather than the subject of equitable dialogue and partnership.

High regulation

The extractive and energy sectors mark notable exceptions, with companies such as state-owned Petrobras and utilities Copel and CPFL developing advanced community development programmes. High levels of regulation and state ownership in the energy sector put a particular precedence on such activities.

Surprisingly for a country so rich in biodiversity, environmental issues have not traditionally enjoyed the same attention from companies as social issues. Again, exceptions naturally exist. The stellar case is that of cosmetics retailer Natura, the long-time trailblazer on environmental management (see case study).

Others are following. Marina Grossi, executive president of the Business Council for Sustainable Development (BCSD) in Brazil, credits the 2007 publication of the Intergovernmental Panel on Climate Change report with a sudden change in mindset on environmental issues.

"We had this dogma that as a developing country we didn't have to do anything [on climate change]. That shifted with the IPCC report … companies took into account that climate change was a reality," she says.

As early as 2005, BCSD had led a handful of leading businesses to issue a position paper for the private sector on climate change. Momentum began to grow. Government actions helped, such as a high-profile attempt to protect the Amazon rainforest.

In late 2009, 22 large companies put their names to an open letter in the run-up to the UN conference on climate change in Copenhagen. The letter called for more substantive steps to be taken, including the implementation of emissions targets and tougher deforestation measures. Among the signatories were retailer Grupo Pão de Açúcar, paper manufacturer Aracruz Celulose and mining companies Vale and Samarco Mineração.

Another emerging driver is the Brazilian

Environmental issues have not had the same attention as social issues

Case study: A better ethos

The **Ethos Institute** has played a central role in raising awareness of corporate responsibility across Brazil since its foundation in 1998. The business-backed group is headquartered in São Paulo, but has a nationwide presence through its expansive network of industrial federations, non-profit groups, media organisations and educational institutes.

At a general citizenship level, it runs an annual advertising campaign on a responsibility-related topic in conjunction with media partners and communications agencies. It also runs separate annual corporate responsibility programmes to recognise graduate research, journalistic excellence and company reporting.

In terms of company practice, Ethos has also been instrumental in **professionalising corporate management** of responsibility issues. Its main instrument for doing so are the **Ethos Social Responsibility Indicators**. Every year, hundreds of companies complete this self-assessment tool, which is engineered to help evaluate, plan and monitor the incorporation of responsible business practices into everyday operations.

Ethos has customised the survey to factor in regional and industry-specific issues. There are now indicators for small and micro-sized companies, as well as the **bakery**, **mining**, **financial**, **energy** and **paper** sectors. Ethos also offers a benchmarking service to promote comparisons and cross-learning.

Knowledge sharing represents another core aspect of Ethos' activities. It publishes a variety of **newsletters**, **manuals**, **case studies**, **reports** and **web-based** materials in an effort to share best practice. Examples of excellence from the indicators survey, for example, are collated for general reference into a publicly accessible practices store. The web-based **InternEthos** initiative fulfils a similar function, providing an online communication forum for the institute's various audiences.

Ethos is not shy of pushing the boundaries in its desire to see business as an instrument of social change. It has pushed through corporate "pacts", for instance, on controversial topics such as **child labour** and **corruption**. It also has a public policy arm, working with government, unions and non-profit groups on issues such as sustainable **urban development**, decent **employment** and **poverty eradication**.

Ethos also has a research and advisory arm. Working closely with corporate practitioners, universities and consulting firms, **UniEthos** seeks to promote new management methodologies and technologies. It also carries out consultancy services as well as open and in-house management education programmes. Finally UniEthos provides the forum for working groups on a variety of issues, ranging from the Global Reporting Initiative to the development of ISO 26000.

Consumers believe companies are using corporate responsibility as advertising

consumer. Expectations are high. Half of consumers believe large companies have a civic duty to develop society, as well as orthodox pursuits such as tax contributions and employment provision, research by the Akatu Institute for Conscious Consumption finds.

And consumers are beginning to act. The number buying ethical goods or endorsing ethical companies has doubled in the past three years, a recent opinion survey indicates. Yet, at 22% of all consumers, the market impact remains incipient.

Brazil's consumers need persuading if they are to begin to exert real influence. The gap between consumer expectations and satisfaction with corporate responsibility is greater in Brazil than in any other country in the region, according to Fabian Echegaray, managing director at research firm Market Analysis.

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Protecting the Amazon now an accepted priority

"Four or five years ago, there was a positive attitude towards what companies were doing and the information they provided. Now, there is a general suspicion among consumers," Echegaray says.

More fact-based information would help turn this around. Only one in 10 print advertisements about corporate responsibility makes any mention of deliverable results, a study of more than 750 such adverts between 2001 and 2010 shows.

Consumers increasingly believe companies are using corporate responsibility as "an advertising theme", according to Helio Mattar, president of the Akatu Institute for Conscious Consumption. This deters consumers from either rewarding or punishing companies, he argues.

"There is a need in Brazilian society for organisations to provide consumers with summary information about what companies are doing in corporate responsibility in a credible way," Mattar adds.

The messages are there if the right channels can be found, Mattar insists. He cites Wal-Mart Brazil as a leading example. The US retailer has negotiated sustainability targets for 100 of its main suppliers. It has also provided capacity building for 3,500 employee "multipliers" on responsible consumption, with the intention of spreading the message to all its 80,000 or so employees.

Despite recent growth, Brazil remains an emerging economy. Deep inequalities still exist. What is true for the economic field is also valid for corporate responsibility. The fundamentals are there: a willingness to act by companies, a support infrastructure for management, and high levels of awareness on the part of the public. But work is still required.

Brazil's sector leaders present an impressive display. The record of smaller, less global-minded companies is patchy at best, however. Investors and consumers can change that. So too – through cooperative efforts and supply chain pressure – can corporations. ■

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NGOs and civil society

Growing pains

By Dom Phillips in São Paulo

Brazil's recent economic growth has been impressive but companies need to work with civil society to develop a concrete responsible business agenda that will last

In May, during the annual conference of Abal, the Brazilian Aluminium Association, one of the delegates made a joke. Rubens Harry Born, associate executive coordinator of Vitae Civilis – a Brazilian NGO concerned with development, environment and peace – quipped that five years ago, it would be hard to imagine someone like him sitting on a panel next to businessmen and government specialists. As for 10 years earlier, "I certainly wouldn't have been called," he said.

For corporate responsibility specialist André Palhano, who writes a column for Folha de São, Paulo Brazil's biggest newspaper, it was a watershed moment. He quoted it on his blog. He believes that, for corporate responsibility, Brazil is leading the way. "In Brazil we are very advanced in comparison to other countries in Latin America," he says. "Philanthropy has evolved into something that is intrinsic to company management."

Marcelo Linguitte of São Paulo consultancy Terra Mater, which works with business on corporate responsibility, believes that this is because companies have realised it makes business sense. "There are three factors: business opportunities, image, and the big question of social society," he says. "Companies have begun to realise that as well as being good for society, it's good for them."

And nobody wants a PR disaster, as was dramatically illustrated in June 2009 when Greenpeace published its Slaughtering The Amazon report. Following three years of investigation, the report showed that cattle farming was the major cause of deforestation in the Amazon. It fingered not just Brazil's biggest meat producers, but major international supermarket chains as well.

The reaction was instant: within days, three of Brazil's top supermarkets – Pão de Azucar, Wal-Mart and Carrefour – had banned beef products produced in deforested areas. By October, the country's four biggest meat producers – JBS-Friboi, Bertin, Minerva and Marfrig – had adopted new environmental standards to ensure they did not use cattle raised in newly deforested areas.

Greenpeace Brazil's Marcio Astrini says that the report helped create great indignation in Brazilian public opinion. "In a little more than three months, the meat processors were around a table signing a document guaranteeing that the problems denounced would be resolved."

Avoid scandal

Daniela Aiach is manager of corporate events for Latin American business association Amcham – 80% of whose companies are Brazilian. "Investors don't want to invest in a company that has had an ambient or ethical scandal," she says. For 28 years Amcham has awarded an Eco Prize. It does not have its own corporate responsibility programme but is helping its members develop their own strategies, forming regional sustainability committees for companies and publishing a how-to guide.

"We are migrating from having social projects, to include the concept of sustainability in management," Aiach says. Whereas in the past, a business might fund a crèche or a new square – because Brazil has a long tradition of private philanthropy – today big businesses create their own social projects. "I think that Brazil is a pioneer in this area," she says.

"Companies have begun to realise that corporate responsibility is good for them"
Marcelo Linguitte, Terra Mater

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Contrasting excess and poverty in Rio

President Lula's government has taken 30 million people out of poverty

A landmark partnership example between business and an NGO is the Rio São Bartolomeu Vivo (Living St Bartolomeu River), created by Banco do Brasil in partnership with the environmental foundation Funatura. The project is diagnosing the state of a key river and educating local communities into how to live and work in and around the river sustainably.

In almost a decade of constant economic growth, the government of Luiz Inácio Lula da Silva, Brazil's president, has taken 30 million Brazilians out of poverty. Half of the population is now classified as "Class C" – lower middle class.

But in Rio alone, more than a million people still live in shanty-towns, or favelas. "You can't simply ignore social problems," says Marcelo Linguitte. Consequently Brazilian companies have a huge responsibility to develop social investment programmes and work in education, health and skills development.

"Companies are being pushed to do something about it. There is an enormous amount of media talk about sustainability," says Alex Spatuzza, editor of Brazilian sustainability website Revista Sustentabilidade. But she argues there is a lot more talk than action. "Companies put out sustainability reports every year but there are no standards, there's no transparency and they don't give historical figures for their actions."

It is São Paulo, Brazil's economic engine and richest state, that is leading the change. There are 1,352 companies associated with Brazil's leading corporate responsibility organisation, the Ethos Institute, and 54% per cent of them are in São Paulo. Ethos has seen success with its Akatu.net conscious-consumer website. And it is now the fashion among São Paulo's upper middle class to carry reusable shopping bags when visiting the supermarket.

But a growing economy like Brazil's needs more energy – as the October 2009 blackout, which afflicted 40% of the country, showed. And if the economy does not keep growing, Brazilian consumers will not be able to vote with their pockets and force companies to improve their sustainability programmes. In the meantime, the way forward is for NGOs to work creatively with business to push the agenda.

The Amazon is a good example. Here farmers of all sizes are under fire for deforestation by environmentalists and the government. This vast wilderness is home to 20 million people, many of whom were encouraged to colonise Brazil's wilderness by previous governments, and many of whom are little more than subsistence farmers. And they are often the target when the battle lines between sustainability and economic realities are drawn. "Greenpeace set the standard; they created this uproar," says John Carter, director of NGO Aliança da Terra (Land Alliance). "But there are no easy solutions."

Practical solutions

Aliança da Terra tries to work with both sides. "We create economic incentives and practical ways to help farmers and landowners to be more environmentally friendly," Carter says. He is an American farmer who owns two ranches in Brazil. Of 300 farms covering 2.2m hectares surveyed by the NGO, half have adopted its recommendations. "Today 51% of the land in our system is in native education," Carter says.

On a larger scale is the Movimento Cyan (Cyan Movement). Funded by Brazilian brewery multinational AmBev, Movimento Cyan is an innovative partnership developed with WWF and the University of São Paulo that will work on cleaning up water supplies and rivers. The organisation is investing 44m reais in sustainability in 2010 alone.

"The change in behaviour of companies always comes after strong public pressure motivated by denunciations," says Greenpeace Brazil's Marcio Astrini. "You have a big number of NGOs in Brazil and they have an important role," counters Daniela Aiach of the Amcham business association. "But the companies are leading this. They can't count on the government, so they have to initiate."

The reality is that both sides are right. NGO pressure is vital to keep corporate responsibility moving in Brazil. Business rarely reacts unless profits are threatened. Despite the economic successes of President Lula's left-wing government and poverty-busting initiatives such as the Bolsa Família income support fund, Brazil, at heart, is a deeply capitalist country. Its population has an instinctive mistrust of state intervention. It is the bottom line that will drive corporate responsibility and sound business sense that will keep the agenda moving. ■

Government and regulation

Playing by the rules

By Dom Phillips in São Paulo

Brazil's statute book carries a range of labour, environment and corporate governance regulation. Some require revision, but it's enforcement where real effort is needed

When members of the state government of the federal district of Brasília were caught last year on secret cameras counting out large wads of money, and shoving cash from bribes for contracts into their socks and underpants, Brazil was shocked. Not because of the corruption – which is endemic in Brazilian politics and business – but because it is rarely so graphically exposed. Governor José Arruda lost his job and was briefly imprisoned, and there was a palpable sense that ordinary Brazilians were enjoying the embarrassment of their elected officials.

But as with many other corruption scandals, it is unlikely that anybody will be convicted. Corrupt Brazilian politicians and businessmen never are. In recent years, a number of money laundering and corruption cases involving high-profile corporations and businessmen have faltered when they reached the judiciary.

But a source inside the Polícia Federal – Brazil's equivalent of the UK's Scotland Yard headquarters – who has worked on some of the biggest corporate corruption cases tells Ethical Corporation he sees progress. Five years ago, these cases would never have got as far as they did or received the attention they got.

International law

It's here that cross-border legislation such as the US's FCPA comes in. "The FCPA is relatively little known especially in reference to its extraterritorial application," says João Piquet Carneiro, a partner at Brasília's Veirano law practice who has chaired the president's public ethics committee. "But its importance is unquestionable, because it obliges foreign companies and Brazilian ones to treat with caution their relationships with public authorities. Care has to be doubled for companies that do business with the government and those which operate in different parts of the country."

João Carneiro also cites Brazil's impropriety law, its public servants statute, its penal code and ethics code for civil servants as relevant for corporate responsibility professionals working in the country.

But when it comes specifically to responsible business, the Brazilian government is lagging behind. "The government basically hasn't done very much," says Marcelo Linguit te of São Paulo corporate responsibility consultancy Terra Mater. "The Brazilian government is very focused on traditional development. In general, public power needs to advance a lot on this question."

Brazil does have very strong laws about the environment – such as the forest code, which sets limits for how much forest farmers can chop down and whose limits are currently under discussion. But they are frequently ignored. "Brazil's got a very aggressive environmental code but it's not being implemented on the ground, and the government doesn't have the resources to enforce it," says John Carter of NGO Aliança da Terra (Land Alliance).

This is often the case with sustainability. Alex Spatuzza, editor of sustainability website Revista Sustentabilidade, cites the São Paulo law that requires new buildings to have a small reservoir that holds rainwater to avoid the flooding that frequently affects the city. "People just don't do it and the city government doesn't bother fining people," he says.

Other laws are positively disadvantageous for corporate responsibility. The 1993 Lei de Licitações (auction law) is a case in point. It requires that state bodies, whether state, federal or municipal, should always purchase at the lowest price possible. This means the government doesn't provide incentives for sustainable practices. And when public spending represents 19% of Brazil's GDP, that can have a huge impact.

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President Lula has focused on traditional development

But there are signs of change. In 2009 the city of São Paulo passed an ambitious municipal climate law, which set out a range of targets – from greenhouse gas emissions to provisions prohibiting the use of illegally logged wood in city construction works. The law also sets out "sustainable bidding" practices.

A new report by the Carbon Disclosure Project aims to identify corporate best practices in promoting energy efficiency measures in Brazil, China, India and South Africa. Companies want to see their work on improving sustainability in energy terms rewarded through a corporate energy efficiency index or individual energy government contracts, the report says.

"The findings show … the theory that policy and regulation has an effect on corporate behaviour is correct, and that effect is largely positive," says James Cameron, executive director and vice-chairman of Climate Change Capita. In Brazil's case, the challenge is not creating the legislation, but enforcing it effectively. ■

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