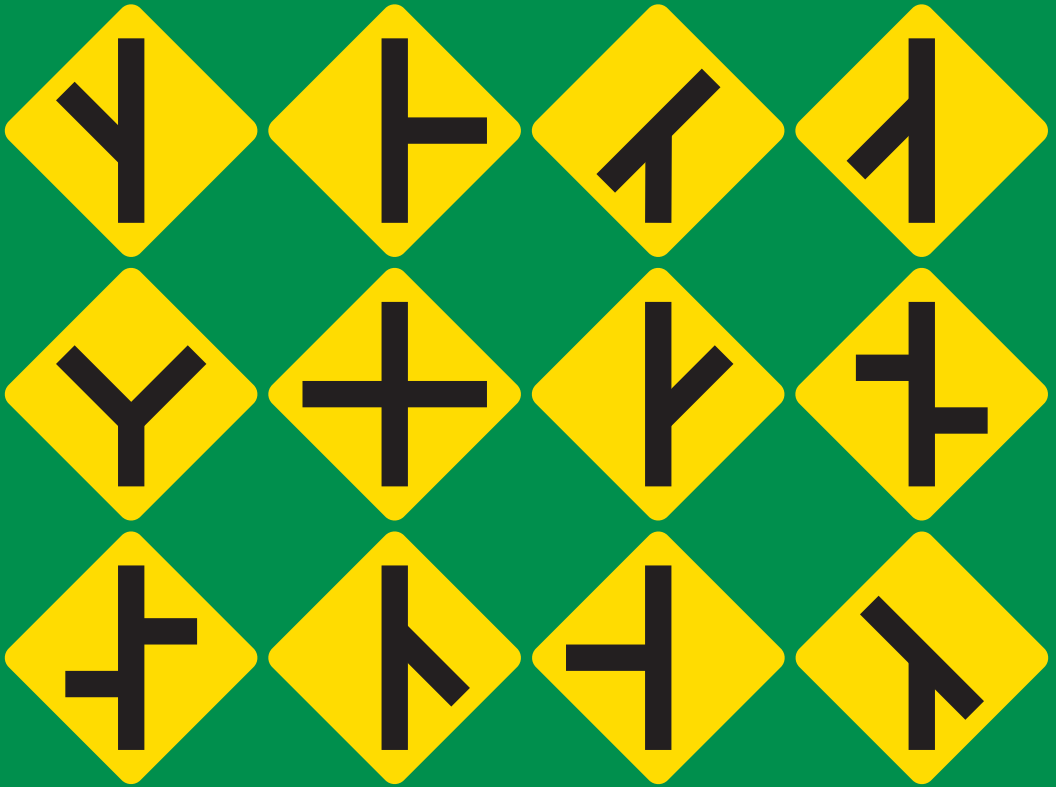




A Global Reporters
Research Publication
2008

The Road to Credibility

A survey of sustainability reporting in Brazil



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Feedback

Your feedback will help us ensure this research remains challenging and vital in the future. Praise, criticism, corrections and suggestions are all welcome at the following:

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Executive summary

SustainAbility and FBDS are pleased to introduce this new survey of best practice sustainability reporting in Brazil. Sustainability reporting is a truly global phenomenon and Brazil has emerged as a leading hot-spot. Some 80 Brazilian companies issued sustainability reports in 2006-07, compared to some 18 equivalents in mainland China, and 12 in India. This is clearly impressive for Brazil and an indicator of the seriousness with which sustainability is treated by the corporate sector.

This report aims to provide a practical survey of best practice reporting and disclosure:

- introducing a rigorous analysis of ten leading reports in Brazil
- encouraging Brazilian reporters to raise their game
- highlighting what global reporters can learn from their counterparts in Brazil.

The map so far

Sustainability reporting is a challenging journey. In the last decade, global reporting leaders have begun a transition from feel-good public relations reporting, to the best of today's reports that provide solid evidence for how sustainability is embedded into day-to-day operations, investor relations, brand building and new market development. And the journey to greater corporate transparency and accountability is ongoing.

Ensuring the credibility of Brazilian companies' sustainability reports will be increasingly important to secure essential trust and confidence – of investors, consumers, government and opinion-formers across the world. Without it, there will be little license to operate, innovate and prosper.

In the report that follows, we assess what Brazilian reporters are doing well, discuss weaknesses and advise on 'hot topics'. We also provide practical recommendations to help companies identify what needs to be done to improve performance, to build credibility and – in time – to position Brazilian reporters as trusted trail blazers on the road ahead.

Results

The big picture: emerging accountability

The Top 10 range from a high of 54% (Natura) to a low of 35% (Banco Itaú), with an average of 47%. This compares with the 2006 global survey results, ranging from 80% (BT – Telecommunications, United Kingdom) down to 39% (Telus – Telecommunications, Canada), and an average score of 57%. While the Brazilian Top 10 clearly deserve to be considered alongside leading global sustainability reporters, the gap between their ranking and that of their international peers does need to be acknowledged. Although only a few points separate the top five in Brazil, a wider margin separates the scores at the lower end of the range.

New players – and old

Both Natura and Banco Real have been cited as sustainability and reporting leaders in the past (and both were included in the 2006 global survey). All the others in the Top 10 are relatively new faces, largely unknown on the international stage.

A diverse field

The Top 10 include companies – like Celulose Irani, Coelce and Energias do Brasil – from outside the main business centers of Rio and São Paulo. Five of the Top 10 are Brazilian-controlled, while the other five are subsidiaries of multinationals.

Strengths and weaknesses

The Top 10 do best in the Governance and Strategy section of our assessment methodology. Scores weaken in the Management and Presentation of Performance sections, but improve in the Accessibility and Assurance section.

Best of the best...or best of a weak field?

During the selection of the Top 10, our Advisory Group expressed a general sense of disappointment with the majority of Brazilian reports. The group challenged reporters to improve their transparency and strengthen their commitment and integrity.

It is our hope that this survey – through the best practice examples cited – can help illuminate how reporters can do just that. This section highlights ten of the best sustainability reports in Brazil, with examples illustrating what others can learn from them, as well as where future improvement is still needed.

Figure 1

The Top 10

Rank	Company	Industry	Year	Score %
1	Natura	Personal care products	2007	54
2	Suzano Petroquímica	Chemicals	2006	53
3	Ampla	Electric utilities	2007	52
	Coelce	Electric utilities	2007	52
5	Banco Real	Financial services	2007	51
6	Energias do Brasil	Electric utilities	2007	47
7	Sabesp	Water utilities	2007	46
8	Bunge	Food processing	2007	41
	Celulose Irani	Forestry and paper	2007	41
10	Banco Itaú	Financial services	2007	35
Average				47

Conclusions and recommendations

Our 2008 survey reveals much progress, but a fair way still to travel for Brazilian reporters to close the gap with international leaders. For reports to become more powerful for companies and more valuable for the readers, some basic – and not so basic – rules of good practice need to be understood and embedded.

Governance and strategy

Corporate governance

Explain the structures and processes that ensure responsibility and accountability for the delivery of sustainability vision and targets, from the highest board level, throughout the company.

Business strategy

Present your company's business strategy as it really is, and as your company really uses it. This is the basis for all the actions you take as a company, and it should provide the basis for understanding how sustainability fits with – and ideally helps to drive – your core business.

Business case

Profit, loss, cost savings, access to capital, market share, brand value, reputation, investments in innovation and risk mitigation, and speed of operations – a specific, quantifiable understanding of these will improve your report for key stakeholders, particularly investors.

Challenges

Basic credibility demands a thorough, transparent and honest treatment of the weaknesses and dilemmas to implementing your sustainability vision. If a report fails to mention the obvious difficulties, stakeholders will wonder what else a report might be hiding.

Management

Management systems

Make sure readers understand the specific processes by which the company seeks to implement sustainability commitments and the steps taken to institutionalize them. For example, the approach to environmental performance, labor practices, consumer marketing and investor relations are all relevant for audiences interested in business.

Value chain

Big companies are part of complex value chains and webs, from raw materials and suppliers through to production, use and end-of-life phases. Leading reporters include information on steps taken to address impacts through their value chain, to inform and influence the actions of suppliers, customers and others.

Public policy

Government affairs activities are increasingly important for improving capacity to make a difference in sustainability. Future reports should expressly declare any principles, intentions and specific activities aimed at influencing public policy.

Presentation of performance

Quantification

Comparable, consistent indicators, benchmarks and targets help to build clarity and accountability. Make the intangible more tangible by being specific about challenges, clearly explaining risks and opportunities and the business case for pursuing sustainable practices.

Comparable data

Present performance data in a clear, comparable form, using reliable indicators. Give historical and segmented information wherever possible and provide benchmark data to put performance into context.

Targets

Include targets in reports, link them to results achieved and revisit them over time. Good targets are specific, measurable and meaningful. Wherever possible, they should refer to the actual environmental, social or economic impacts of the company's activities, rather than simpler targets like money spent.

Stakeholder voices

If a report is a one-dimensional statement, it won't have the positive impact it might have on readers. Invite stakeholders – whether government agencies, experts, NGOs or neighbors – to provide comments in the report about the company's sustainability strategy or performance.

Accessibility and assurance

Websites

Use websites to reach out to specific stakeholder groups and to provide extra detail, technical data, or local-level information that's not relevant to a general reporting audience. Websites can be a repository of basic information that does not change frequently – such as sustainability governance structure or policies – which may be less desirable to repeat in a printed report.

Materiality

A great sustainability report isn't bloated with too much information, nor does it ignore issues of great significance. Use the best tools available – such as a materiality matrix – and don't be afraid to leave out topics that aren't useful to the majority of stakeholders.

Beyond reports

Integrate sustainability information into the array of mainstream and specialist communications and engagement tools already in use with consumers, investors, suppliers, business partners, NGOs, governments and special interest groups, in order to make sustainability come to life for real users.

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Established in 1987, SustainAbility is a strategic business consultancy and independent research center that helps clients actively manage the risks and opportunities associated with corporate responsibility and sustainable development, devising solutions to social and environmental challenges that deliver long-term value to business and society. With offices in London and Washington, and operations as well in Zurich and New York, SustainAbility works with business and through markets in pursuit of a just and sustainable world for present and future generations. For more information, visit www.sustainability.com

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