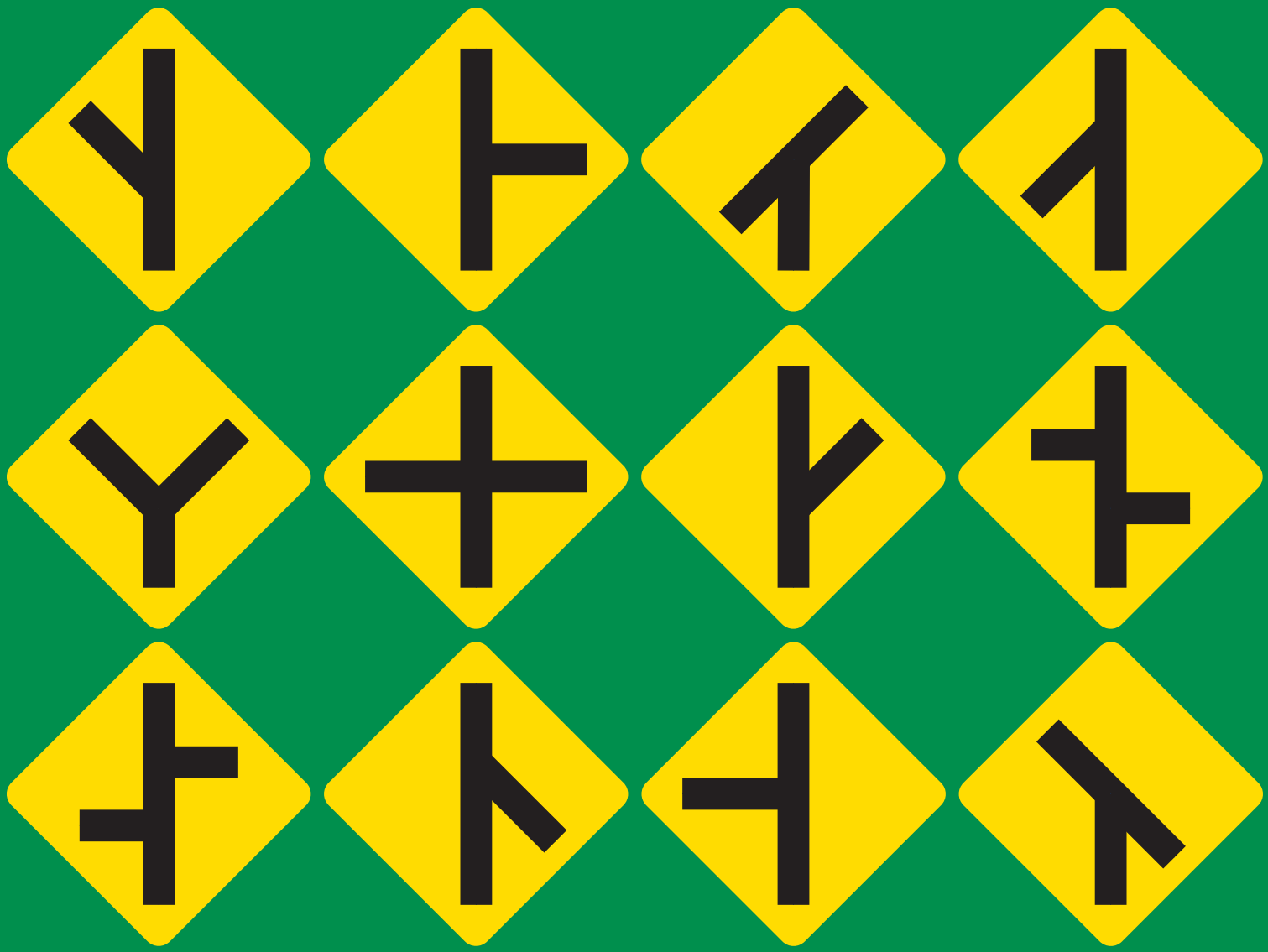




A Global Reporters
Research Publication
2008

The Road to Credibility

a survey of sustainability
reporting in Brazil



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Publication details

*The Road to Credibility:
a survey of sustainability
reporting in Brazil*
A Global Reporters
Research Publication
First Edition 2008

ISBN
978-1-903168-24-0

Publisher
SustainAbility Ltd.

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or were clients of SustainAbility and/or
FBDS:

- Banco Itaú
- Banco Real
- Natura
- Suzano Petroquímica

Quotations

Quotations that appear highlighted
throughout this report were provided by
members of our Advisory Group, whose
names and affiliations can be found on
page 4.

Foreword

Seismic economic and political shifts have shaken global markets and society during 2008. In the wake of the credit crunch and rapid shifts in public opinion on the roles of business and government, companies are re-examining their activities and focusing investments where they perceive greatest value. All stakeholders – be they governments, citizens, consumers or NGOs – are re-evaluating which companies they trust and where they will allocate their own scarce resources. The financial, food and energy crises, alongside the urgent challenges of climate change, require everyone to pay renewed attention to the strategic and practical management, measurement and communication of reliable information and actionable insights for sustainable development.

Changing and challenging times demand a renewed approach, and 2008 marks the start of a new era for the SustainAbility and UNEP *Global Reporters* Research Program. *Global Reporters* has long sought to foster corporate accountability, transparency and sustainability reporting. High quality disclosure enables stakeholders to hold companies to account and helps companies to identify risks and opportunities and to improve performance management. Increasingly, disclosure can also help attract new partners to participate in innovative ventures, bringing sustainability solutions to market.

As a result, we have honed the program to focus on particular sectors, issues and regions, allowing us to address specific challenges and audiences to advance the corporate accountability agenda.

The Road to Credibility represents the eighth global, and first national, survey of corporate sustainability reporting completed for *Global Reporters*. It comes at a time of exponential growth in sustainability reporting in Brazil, and we are delighted to be joined in our efforts by the Fundação Brasileira para o Desenvolvimento Sustentável (FBDS). Together, we aim to contribute rigorous analysis that will stimulate debate and encourage best practice amidst sustainability reporters in Brazil. Our ultimate aim is to promote a shared view of the corporate responsibility and transparency agenda in Brazil, and to recognize leaders in the field.

Your feedback will allow us to assess how well we are meeting these goals. Given that we plan future benchmarking rounds, in Brazil and other regions, please tell us what you think. We thank our sponsors, supporters and Advisory Group for their generous support.

Sincerely,

Mark Lee
CEO, SustainAbility

Israel Klabin
Chairman, Fundação Brasileira para o Desenvolvimento Sustentável

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Director, UNEP Division of Technology, Industry and Economics

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.

The Road to Credibility appraises the current state of sustainability reporting in Brazil, in the context of global trends and best practice, as well as the incredible growth in the number of Brazilian sustainability reports being published. Brazilian reporting has been propelled by a series of drivers: Brazilian companies' increased exposure to domestic and international capital markets; the launch of sustainability indexes; the efforts of the Global Reporting Initiative to encourage uptake; and heightened awareness of good corporate governance practices.

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.

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

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 Road to Credibility has drawn on the ranking of ten leading reports from Brazilian companies, using a standardized and consistent scoring methodology.

Scores in the survey range from a high of 54% (Natura) to a low of 35% (Banco Itaú), and they average 47%. This compares with 2006 global survey results, when there was a high of 80% (British Telecom), a low of 39% (Telus) and an average of 57%.

The Top 10 Brazilian reports are characterized by:

- **New and old players**
Natura and Banco Real are both familiar on the global sustainability stage, while Sabesp and Celulose Irani are both first-time sustainability reporters.
- **Diverse sectors and regions**
Several of the Top 10 are based outside the main business centers of Rio and São Paulo; and a wide range of sectors is represented.

- **Epic proportions**
With reports in the Top 10 averaging 161 pages, Brazilian reports are substantially longer than what we would expect to see globally.

Strengths and weaknesses

The Road to Credibility details many different good practice examples, as well as areas for improvement. Overall strengths include how companies are articulating their overall commitment to sustainability, and how sustainability contributes to drivers of growth and success. Finally, it is noteworthy that all of the Top 10 make use of the GRI G3 Guidelines and a large majority use some form of external assurance to aid credibility.

Meanwhile, the weaknesses of the Top 10 indicate a need to deepen the strategic value of reporting and demonstrate how sustainability is being embedded throughout the business. Weaknesses in reporting include the lack of:

- **Governance**
Board level leadership and governance structures to deliver on sustainability aspirations.
- **Materiality**
Methods to identify and prioritize material issues being used to help focus reports on priority topics.
- **Targets**
Specific, measurable and comparable targets (rather than qualitative statements of intent).

- **Balanced content**
Discussing challenges and failures, and sharing bad or problematic news along with the good.
- **Stakeholder engagement**
The voices of stakeholders, such as issue experts, site neighbors and NGOs.
- **Use of websites**
Use of online media or other communication tools to add value to what is presented in printed reports.

The road ahead

The landscape of accountability and transparency is never static, and the next 3–5 years will see significant changes, with consequences for reporters around the world. The Brazilian experience demonstrates that there is strong demand for sustainability reporting, but also that reporting in Brazil is still at an early stage, with some basic groundwork yet to be completed. At the same time, there is clear evidence of the determination of Brazilian companies to evolve their approach and make their own distinctive mark.

A good report is one that tells someone something he wants to know, in a comprehensive fashion.

Professor Celso Lemme

Advisory Group foreword

As individuals, we come from different organizations and bring a wide spectrum of expertise on corporate responsibility and sustainability reporting. However, we share the common belief that corporate accountability and transparency is a critical tool for harnessing markets to deliver the scale and pace of change necessary for sustainable development.

We were convened as the Advisory Group for *The Road to Credibility*, and between August and November 2008 helped the project team by providing support and input to key decisions throughout its research, analysis and writing.

Our contributions to this project included:

- Overseeing the selection of the leading ten sustainability reports highlighted in this survey and ensuring the integrity and robustness of the selection process.
- Sharing our insight with respect to the key themes discussed in the report.
- Providing feedback on the first draft of *The Road to Credibility*.

We believe *The Road to Credibility* highlights the major challenges and opportunities of the corporate accountability agenda in Brazil. We strongly encourage report writers and report users to consider and act on the valuable recommendations set forth in this survey.

Sincerely,

Celso Funcia Lemme

Chair of the Finance and Management Control Department, The COPPEAD Graduate School of Business, Federal University of Rio de Janeiro, Brazil

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The growth in sustainability reporting is a movement led by companies with international presence interested in better positioning themselves in external markets. Some follow stringent criteria as laid out by the Global Reporting Initiative, while others are still used as a marketing tool.

Cristina Montenegro

Introduction

Data for figures 2–4 provided by
CorporateRegister.com



Sustainability reporting has been a challenging voyage that started a few decades ago. In the early days, companies from developed countries focused on environmental disclosure, although this soon evolved to cover social impacts and responsibilities, particularly relating to neighboring communities and labor standards in the supply chain. In the last decade, global reporting leaders have worked hard to identify and communicate performance on material issues, and to demonstrate how sustainability is being integrated into their core business strategy to deliver against environmental, social and economic expectations. Today 'integration' is the common cry, with leaders focused on communicating how their businesses are seamlessly embedding sustainability in all they do – from strategic risk management to innovation, brand building and new market development.

Ensuring report content is relevant and credible to stakeholders is always essential to maintain integrity and avoid damaging accusations of 'greenwash' and 'spin'. Today's global leaders can be found, for instance, convening report review committees for stakeholders to contribute their views on content before publication. Beyond this, they are also seeking to integrate the communication of their sustainability performance into a plethora of other core communication activities – with investors, consumers, at point-of-sale and even through online social networks. And the journey to greater corporate transparency and accountability is ongoing (see Afterword, page 28).

Today, over 2,500 reports are issued annually by entities all around the world (Figure 2), including over 80% of the Fortune-250.¹ Growth in reporting has remained fairly steady in Europe, Australasia and North America, with developing world reporters making significant inroads in recent years (Figure 4).

Figure 2

Global report output
Number of reports / year
Data © CorporateRegister.com

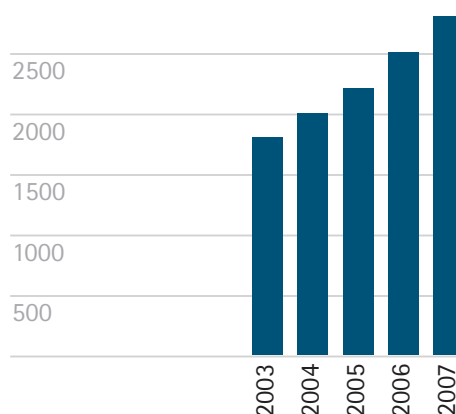
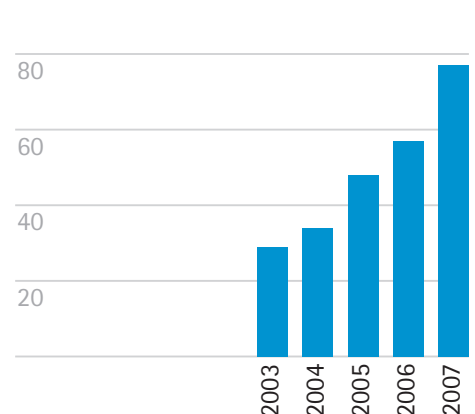


Figure 3

Brazil report output
Number of reports / year
Data © CorporateRegister.com



Brazilian reporting has, in many ways, made its own rapid progress along this road. Close to 100 Brazilian companies currently engage in sustainability reporting of some sort (Figure 3), with around 20 using the GRI Guidelines.² This compares well against other developing nations, including recent report releases numbering some 73 in South Africa, 12 in India and 18 in mainland China.³ In Brazil, as in all these locations, there has been a rapid increase in reporting activity in recent years.

The Road to Credibility appraises the current state of sustainability reporting in Brazil, in the context of global trends and best practice. The report is part of the *Global Reporters* series, a research program developed and published regularly by SustainAbility since 1993.⁴ This first national survey of best-practice sustainability reporting in Brazil aims to:

- Introduce rigorous analysis of quality of reporting in Brazil.
- Encourage Brazilian reporters to raise their game.
- Highlight what global reporters can learn from their counterparts in Brazil.

Drivers along the road

A few developments have had particular impact in putting sustainability and reporting on the Brazilian corporate map:

– A rapid rise in the number of initial public offerings in Brazil

Between 2004 and 2007 the number of Brazilian companies undertaking an initial public offering (IPO) on the São Paulo Stock Exchange (BOVESPA) increased by 150%, with 64 new company listings in 2007 alone.⁵

– New standards

Many IPOs have been listed under BOVESPA's Novo Mercado scheme, which includes rigorous standards of corporate governance and transparency. Brazil also currently serves as the co-chair of the working group behind the development of the ISO 26000 social responsibility standards, which has helped increase the profile of sustainability issues in the country.⁶

– Rise of sustainability indexes

The Índice de Sustentabilidade Empresarial (ISE) sustainability index, launched in 2005, provides a listing of up to 40 companies selected to provide a benchmark for socially responsible investments (SRI) in Brazil. Companies in the index must meet a set of sustainability criteria. In addition, Brazilian companies have been included in international SRI indexes, for instance, Aracruz, Banco Itaú, Bradesco, Cemig, Itausa, Petrobras, Usiminas and VCP are all listed on the Dow Jones Sustainability Indexes.⁷

– Involvement of foreign investors in Brazilian companies

Among the most recent Brazilian IPOs, 75% of shares were bought with foreign capital (or in some cases, Brazilian capital abroad).⁸ International investors are often familiar with and supportive of sustainability reporting, and have increased the motivation for Brazilian companies to issue such reports.

– **Brazilian companies' activities in international markets**

The Brazilian business sector includes subsidiaries of multinationals, as well as Brazilian companies that are multinationals in their own right, or major exporters. These activities have exposed Brazilian business to some of the best international practices, and have begun to demonstrate the value of sustainability reporting for the company and its stakeholders.

– **GRI leading the charge**

The Global Reporting Initiative and the G3 Sustainability Reporting Guidelines have provided significant impetus to reporting in Brazil.⁹ Crucially, GRI maintains a formal outreach presence in Brazil. In addition, the comparability and specificity of the framework, and the user-friendly guidance available, are widely viewed as having a positive impact on awareness and quality of sustainability reporting in Brazil.

– **Role of NGOs**

Recent years have seen the rise of NGOs or institutes dedicated to fostering corporate responsibility, which has helped raise awareness significantly. Groups such as Ibase, Instituto Ethos and Akatu, among others, have been very active in promoting social responsibility among Brazilian business.

Not only is there a growth of reporting in Brazil, quality is on the rise as well. Brazilian reports are increasingly recognized internationally, with some winning prominent awards, such as the GRI Readers' Choice (see page 9).

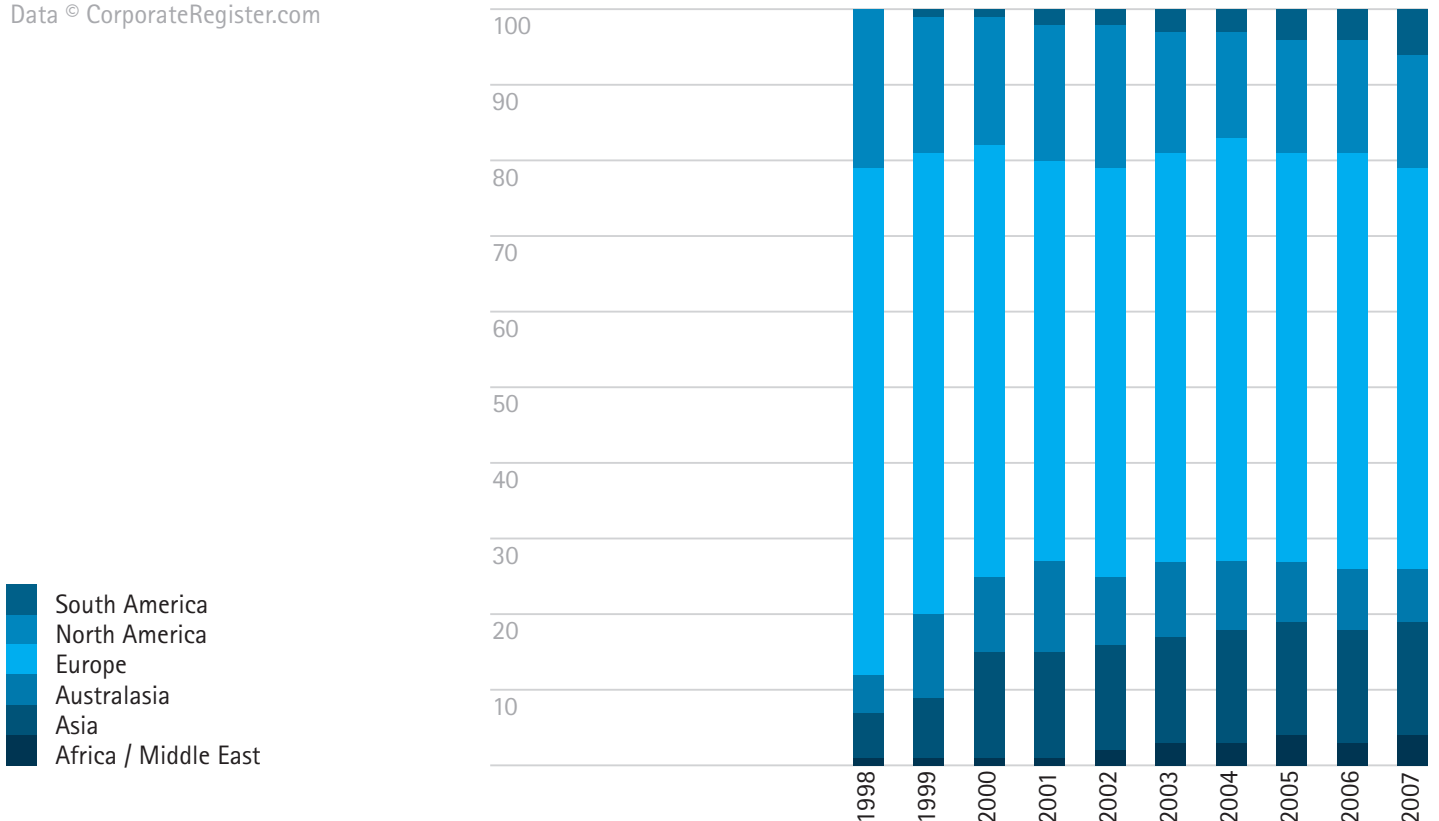
It is against this positive backdrop that this survey has been developed to spotlight leading practice reporting in Brazil today, and to help build capacity to strengthen reporting as a means of enabling companies to genuinely move towards more sustainable development.

Figure 4

Global report output by region

Percentage of reports / year

Data © CorporateRegister.com



Conducting the survey

The *Global Reporters* program, of which this report is a part, has been built on a consistent, rigorous and transparent process for assessing quality in reporting, applied here to ensure the most complete and professional assessment of the Brazilian reporting market possible. Here is how we conducted the survey.

Report selection

This survey is about best practice, so one of our challenges was to develop a means to identify leaders. The first step was to draw up a list of those companies in Brazil that produce a sustainability report. We identified 76 companies engaging in some degree of sustainability reporting, from which our Top 10 were chosen.¹⁰ We reviewed the 76 identified reports against a subset of criteria drawn from the *Global Reporters* Methodology,¹¹ which gave us an estimate of the report's potential quality. The results of this process yielded a shortlist of 28 reports,¹² which were then forwarded to our Advisory Group for their guidance in selecting the Top 10.

The decision to select ten reports (rather than 20, 50 or even more) reflects two major considerations:

- Ten is sufficient. The number of companies providing comprehensive sustainability reports in Brazil number fewer than 100 at present. Ten may seem small, but it's a full 13% of known Brazilian reporters.
- A larger sample would entail the risk of including lower-quality reports.

The benchmarking process

Following selection, the Top 10 were reviewed in detail against the full assessment methodology. This involves:

- **Reading**
In-depth review of reports and materials on websites.
- **Analysis and scoring**
Detailed analysis and scoring of reports against each of the 29 benchmark criteria (see Figures 5 through 8 for an overview).
- **Quality control**
Peer review of the analysis.
- **Finalization**
Updating of scores and analysis.

Methodology

The *Global Reporters* report assessment methodology, developed over many years, essentially tests how well sustainability issues are taken into account in normal business processes. It measures the quality of reporting, not performance. A summary of the methodology appears in pages 11–12 (Results section).

Independence and credibility

This report has been developed with the highest regard for the independence and integrity of the report selection, benchmarking and interpretation processes; and for readers' confidence that this assessment is fair, honest and can stand up to scrutiny. We developed clear guidelines for report selection. Our project Advisory Group has provided us with oversight and challenge all along the way. Our assessment methodology and selection process are all made transparent. Our sponsors had no role whatsoever in the survey process or final results.

In such ways, we aim to ensure our methods build on the decade-plus experience of SustainAbility's *Global Reporters* program, strongly informed by expert opinion on good research practices. While no such process is perfect, we're confident that the Top 10 are representative of the best of Brazilian reporting.

You can read in detail about our efforts to ensure independence and credibility on our website: www.sustainability.com/roadtorecibility

GRI Readers' Choice Awards

Some readers will be aware that Brazilian companies did well in the recent Readers' Choice Awards promulgated by the Global Reporting Initiative (GRI), and launched in May 2008. Several Brazilian companies – Banco do Brasil, Banco Real, Natura, Petrobras and Usiminas – won awards and special mentions, including Petrobras for overall Best Report. However, out of this group, only Banco Real and Natura made the Top 10 in this *Global Reporters* survey. The obvious questions are: Why is there so little overlap between the Readers' Choice Awards and this survey? And which one is 'right'?

The Readers' Choice Awards are not intended to determine the best reports in any objective sense; rather, they highlight those reports most successful at engaging readers and meeting their needs. On the other hand, this survey assesses the quality of reporting against a specific methodology. With different objectives and methods, they generate different results and insights – both valid and valuable.

It is not clear which companies are leading the sustainability agenda. Sometimes the report is strong in one aspect and weak in others.

Professor Celso Lemme

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. This is exciting and bodes well for Brazilian companies' ability to make an impact on global sustainability reporting. Indeed, two of the Top 10 – Sabesp and Celulose Irani – are first-time sustainability reporters.

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. And even with three of the Top 10 coming from the electric utilities industry, a wide range of business sectors is represented.¹³

Strengths and weaknesses

Analysis of the results is detailed on the pages to follow. But we note that the Top 10 do best in the Governance and Strategy section of our assessment methodology (Figure 5). Scores weaken in the Management (Figure 6) and Presentation of Performance (Figure 7) sections, but improve in the Accessibility and Assurance section (Figure 8).

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

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.¹⁴

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.

Global Reporters methodology

- 1 Governance and strategy** (11 criteria)
Assesses (1) how well a company explains its activities and their associated economic, social and environmental impacts, (2) governance of sustainability performance and (3) integration of sustainability into business strategy.
- 2 Management** (9 criteria)
Evaluates how well a company reports on implementation processes. The focus here is the extent to which reporting demonstrates (1) alignment between internal systems and declared intentions, and (2) influence of the company on external stakeholders and market conditions.
- 3 Presentation of performance** (5 criteria)
Designed to assess how well a reporter explains its performance on material issues.
- 4 Accessibility and assurance** (4 criteria)
Assesses a reporter's efforts to give readers confidence in reported information, as well as how well presentation and design aid comprehension and use.

Figure 5

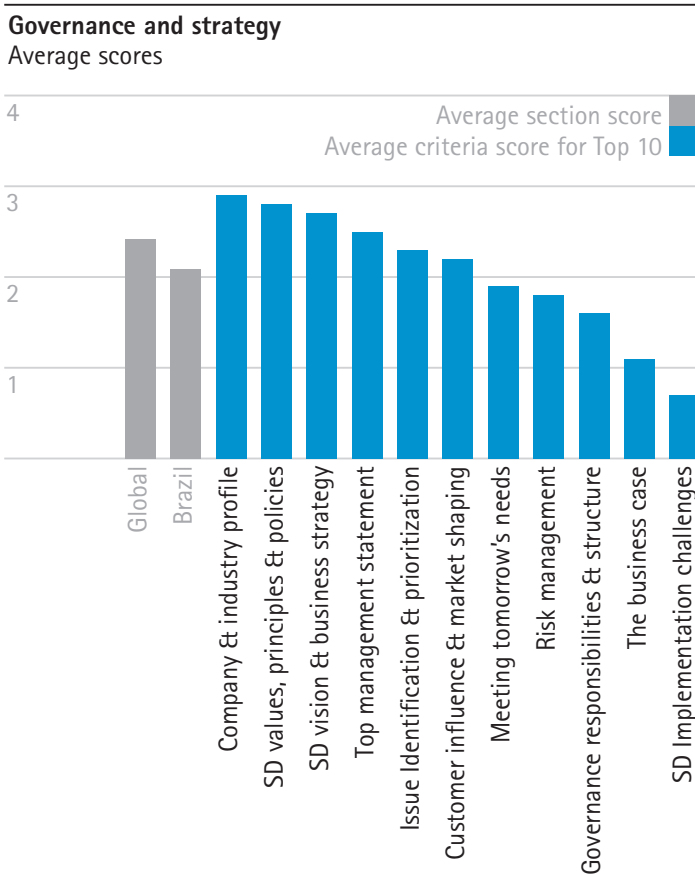
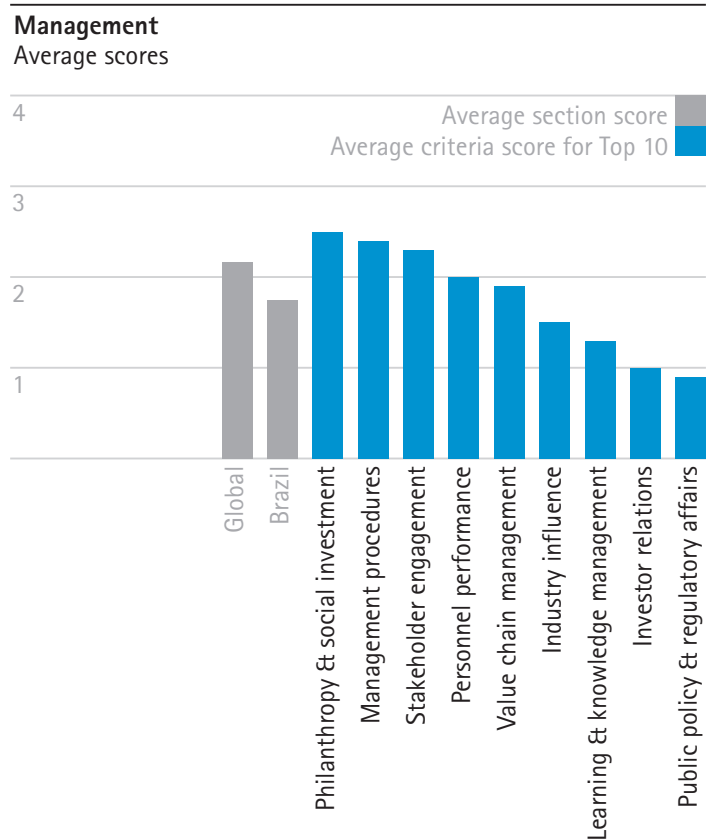


Figure 6



Global reporters scoring system

Each criterion is assigned from 0 to 4 points, based on the following method:

0 = Nothing

No information, or insufficient to suggest the company understands or takes this criterion seriously.

1 = Sketchy

Report suggests at least some recognition of the criterion, and attempts to present it in a serious way, but does not address it in a systematic fashion.

2 = Systematic

Coverage suggests a serious approach and attempt to present the information systematically, but does not reflect full or complete development or applicability across the company, across divisions or issues.

3 = Extensive

Coverage is serious and systematic and not suffering from major gaps in coverage, presentation or interpretation; but is not explicitly or fully linked to core business decision-making.

4 = Integrated

Reporting is serious and systematic and extensive, and evidence shows how it is linked to general business decision-making and core processes to improve sustainability effectiveness.

Scores are sequential, so for a report to merit a particular score, it must also have achieved the requirements of the lower score.

Figure 7

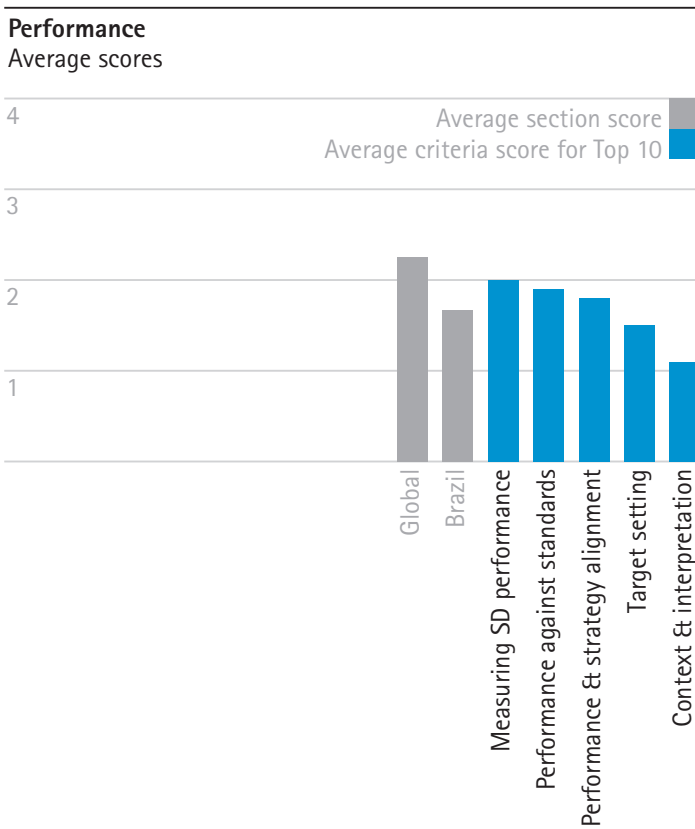
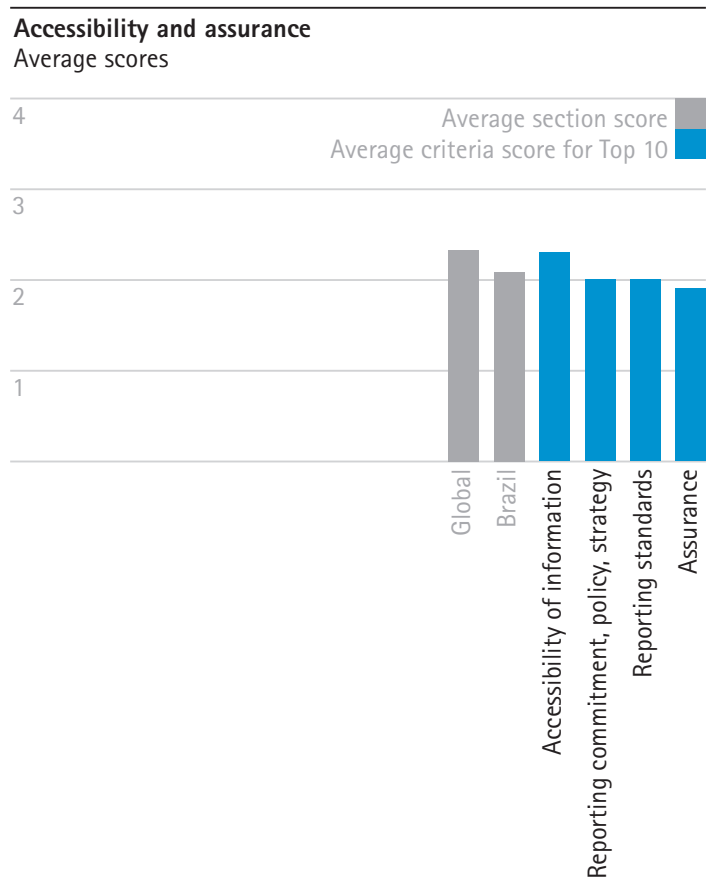


Figure 8



Results

Governance and strategy

The first and largest section of our assessment methodology tests reporting on governance and strategy, and how these take account of sustainability issues. It describes the role of boards and company leadership, values and principles, issue identification, risk and opportunity, market shaping and a host of other activities. In essence, this section tests for the sustainability issues a company is willing to be held accountable for, as well as the company's intentions to address the issues.

It is one of the areas in which our Top 10 score well, with an average 51% across the 11 criteria. Suzano Petroquímica and Ampla each score over 60% in this section. Ampla and Coelce score a rare 4 points for reporting on values, principles and policies.

Both reports clearly describe the companies' seven commitments to sustainable development, which are the foundation for their sustainability policy and state their overarching sense of accountability in relation to business conduct, shareholders, society, consumers, employees, environment, innovation and creativity.¹⁵

The Top 10 are quite accomplished in terms of reporting on their business strategy and sustainable development vision. In some cases, this has a lot to do with their basic business. For example, the utilities reporters Ampla, Coelce, Energias do Brasil and Sabesp are in the business of providing essential services to Brazilian citizens, and have government-imposed service provision mandates that put sustainability issues squarely on the business agenda.

Figure 9

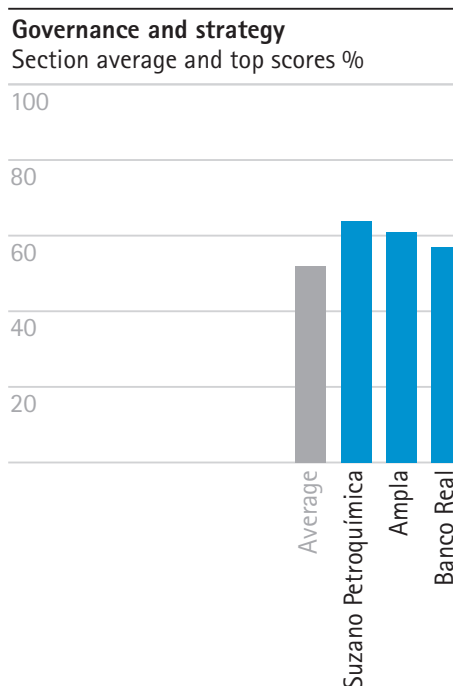
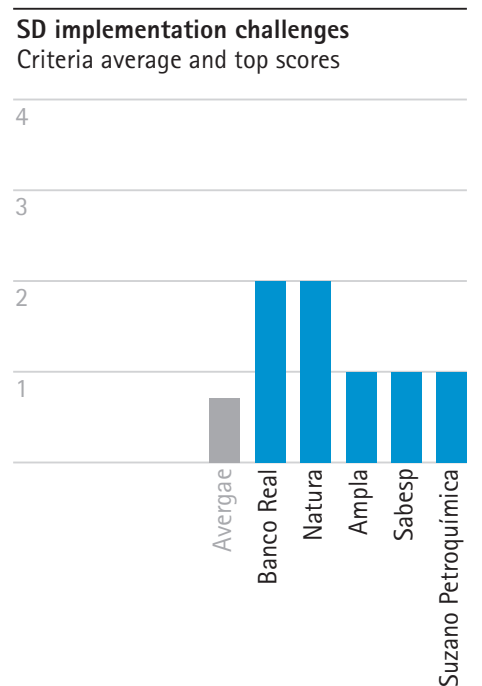


Figure 10



Suzano Petroquímica provides some good examples of the company's search for petroleum alternatives as raw material in the production of biodegradable polymers, as well as detailing new production processes and the use of nanotechnology to reduce impacts. The report also describes investments in raising awareness of biodegradable plastics, and in initiatives to increase recycling and help develop new markets for recycled products.

However, half of the top 10 receive zero points on sustainable development implementation challenges: how well a reporter describes the challenges, trade-offs and barriers to achieving sustainable development. The near-total absence of transparency on implementation challenges means that readers will likely conclude that the reports present an uneven picture of progress toward sustainability. For reporting to mature in Brazil – and for readers to take reports seriously – treatment of the trade-offs and failures must improve in the future.¹⁶

Scores for governance responsibilities and structure are also low, with an average of just 1.6 points. In many cases, companies simply failed to maintain information from past reports about these issues. With corporate governance climbing up the Brazilian corporate agenda, we are confident it will make its way more consistently into future sustainability reports. Suzano Petroquímica scores a respectable 3 points, with a detailed description of overall corporate governance structure and responsibilities for sustainability, emphasizing the importance of building trust and transparency with stakeholders and shareholders. It is also notable for clearly explaining the role of its Supervisory Board in ensuring the uptake of sustainability issues via the development of guidelines for committees and working groups, among a range of other initiatives.¹⁷

The 2008 crisis around financial market stability makes it likely that the next decade will bring increased regulation, with boards subject to tighter controls. Among the issues requiring increased attention, sustainability is likely to have a more prominent place in the boardroom. Emerging best practice, highlighted by the Conference Board of Canada, includes tools such as a board 'CSR road map' and the integration of sustainability into mission, values, risk and strategy processes.¹⁸

Companies that understand reporting as an accountability tool are training internal staff and involving top management in the process, preparing themselves as a company to take charge of quality reporting.

João Gilberto Azevedo

Results Management

The management section of our methodology examines programs and procedures across a range of internal practices, from personnel issues to public policy. In summary, it looks at how well a reporter discusses the approach to implementing vision and strategy. Overall, our Top 10 score significantly less well here than they do in the governance and strategy section, with an average score of 44%.

Natura emerges as the clear leader, with a score of 56% across this section, and Banco Real, Bunge, Coelce and Suzano Petroquímica a somewhat distant second, tied at 47%. Natura stands out in several areas:

– Management procedures

Natura details their management systems for health and safety, product quality, greenhouse gas emissions and packaging, among others.

– Value chain management

There is a clear emphasis on ensuring quality among suppliers and in raw material procurement. This includes their 'Qlicar' system of evaluating, certifying and monitoring suppliers on economic, social and environmental aspects. Furthermore, its 'BioQlicar' approach aims to improve capacity in communities (many of which are located in the Amazon) to provide quality raw materials to Natura, while maintaining biodiversity.

– Public policy

One positive set of developments includes the creation of relationship principles that guide Natura's conduct in governmental affairs, and which are scheduled for launch in 2008 along with its policies on anti-corruption, bribery and lobbying.

Those who know Brazilian business culture will not be surprised to see that the top average score (2.5) was for social investment. Ampla manages a full 4-point score for its clear demonstration of the links between its social investment activities and its material issues, such as energy efficiency, safety, citizenship and ethics. While the focus on social investment is understandable, given its history in Brazil, it leaves a whole range of management aspects considerably less well developed, including public policy and regulatory affairs, investor relations and value chain management. None of the Top 10 report any sort of systematic, principles-based approach to lobbying, even though many of them are visible and active on the policy stage.

Overall, the articulation of management approach is too often a missed opportunity. Readers need a clear understanding of the actions companies take to implement their sustainability commitments. In response, reporters should showcase some of what they do best: steering internal operations to meet their strategic goals.

Figure 11

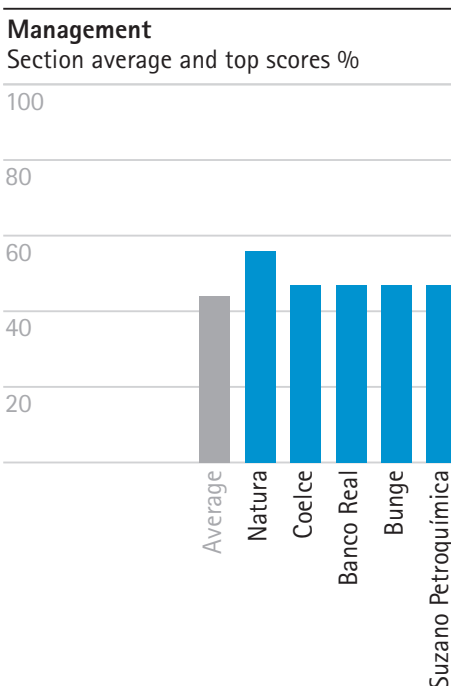
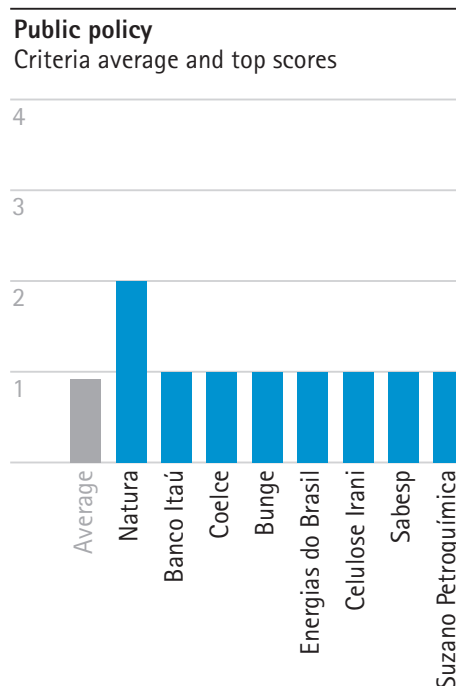


Figure 12



Results

Presentation of performance

Our assessment of how well reports informed readers on a company's performance produced the lowest average scores, at just 41% across the Top 10. To some extent, this aligns with our earlier observation that reporters have been more successful at setting the scene (for example through statements of values, strategy and intentions) than at demonstrating how their intentions are being translated into practice.

For the most part, the Top 10 discuss sustainability performance through use of the indicators in the GRI Guidelines. Coelce topped the group, with a score of 60% for presenting good performance indicators related to their identified material issues, explaining technical indicators, and providing useful interpretation of their performance and comparison with other electricity utilities.

However, most of the Top 10 – like other reporters in Brazil – do not provide sufficient information around their indicators to really enable readers to understand and evaluate performance. Often reports fail to give sufficient context to their performance data, falling short in taking steps to: explain the assumptions that lie behind assertions; benchmark against industry or regional norms; provide references to ecological carrying capacity; or link to sector or national and international goals.

Nor do reporters provide an evaluation of how they see their own performance – or an explanation of why their performance is at the level reported, rather than better or worse.

Discussion of target setting is also an important aspect of performance reporting, and here again Coelce managed a score of 3 for reporting their numerous quantitative goals, relating to virtually all of their material issues. For example, Coelce has defined five specific and measurable targets on customer satisfaction alone. But the Top 10 in general did poorly here, with an average score of just 1.5. Most of the targets presented in Top 10 reports were qualitative and generalized, such as 'expand our client base in microcredit operations' (Banco Real), 'assess production processes to identify opportunities to reduce energy consumption' (Suzano Petroquímica) or 'search for new opportunities to improve customer service and relationships with regulatory agencies' (Banco Itaú). Very few set clear targets which can be compared against others and checked over time.

In a broader sense, this flags up the need for reporters to pay far more serious attention to reporting on performance. It is never enough to stake a claim on sustainability practice in a general, conceptual way. A report must provide readers with the specific and credible means to understand actual performance and results achieved.

Figure 13

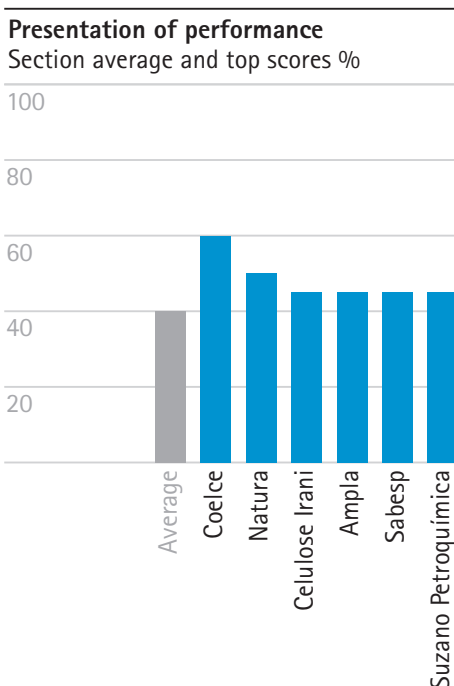
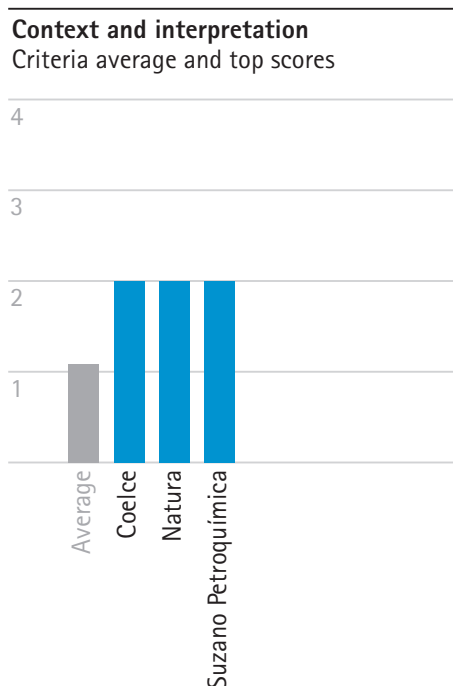


Figure 14



Results

Accessibility and assurance

In addition to the content of reports themselves, there are many ways reporters can aid readers' comprehension and make reports – and varied forms of communication – more useful and trusted. This is critical when dealing with the complex nature and broad coverage of information typically found in sustainability reports.

This section of our assessment is one of the better ones for the Top 10, with an average score of 51%. Many of the basics of good reporting are well covered, for example all of the Top 10 report using the G3 GRI Guidelines. Natura led the Top 10 in this area, with a score of 62.5%.

The use of external assurance is an important indicator of reporters' recognition of the need for credible reporting. Seven of the Top 10 include an external verification statement. Four of the Top 10 – Bunge, Celulose Irani, Itaú and Natura – make some reference to the AA1000 Assurance Standard.¹⁹ Three of the Top 10 (Banco Real, Bunge and Itaú) include various stakeholders' assessments of their reports, although not always presented in much detail.

Readers often find sustainability information complex and voluminous, so accessibility of information becomes an important reporting principle, to aid readers' comprehension and ability to use reports. For example, the use of websites to augment printed reports is increasingly widespread around the world.

However, among the Top 10, this is not common, and represents an opportunity for Brazilian reporters to make their information more user-friendly.

Exceptions include Banco Real, which has a dedicated sustainability section on its website, containing, for example, information on how sustainability is integrated into the bank's products and services, as well as a publicly available database of sustainability practices (Espaço Real de Práticas de Sustentabilidade).²⁰ Natura also provides additional information on its website for particular stakeholder groups, such as consumers, suppliers, employees and others. In both cases, additional information on the web is clearly marked in the printed report, enabling readers to know what else is available, should they want to know more.

Various audiences have different concerns, preferences and ways of relating to sustainability information, and so it makes sense for reporters to use terms that readers understand and to provide a context that makes sense. While the accessibility of the sustainability report and website is important, leading companies are also seeking to communicate their sustainability performance through a variety of other user-friendly channels. See page 24 for an overview of how they are reaching investors, customers and supply chain partners through more targeted communication.

Figure 15

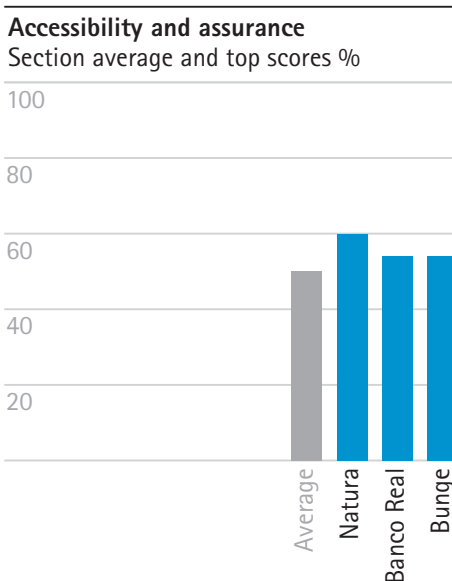
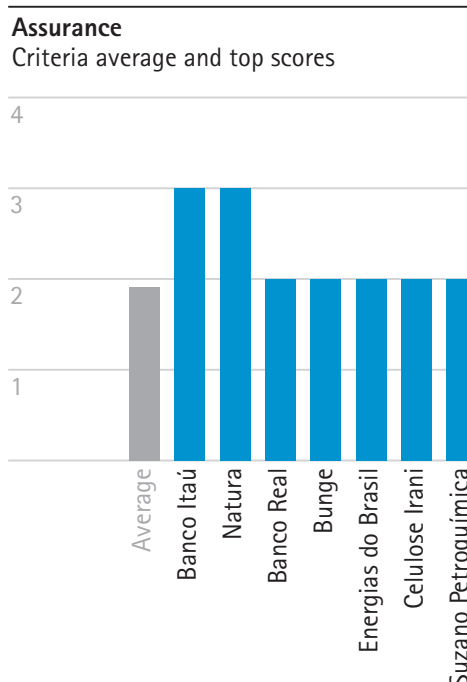


Figure 16



Hot Topic Business integration

Businesses are deeply focused on their core activities and doing what they do best. For this reason, action on sustainability issues is best achieved by its integration into the core business. Integration requires embedding sustainability considerations in strategy, business goals, key performance indicators and all other elements of management and communication.

One of the simplest tests of integration is the number of full 4-point scores across the report assessment, because 'integration' is what the highest score essentially ranks (see page 12 for a discussion of how this is done). Among the Top 10, there are only six full 4-point scores (out of a total possible of 290). Ampla achieves two of these. Of the others, Banco Real, Coelce, Energias do Brasil and Suzano Petroquímica each achieve one 4-point score.

By comparison, the Top 10 score better on the criterion business strategy and sustainable development vision, which tests their articulation of how they see sustainability affecting their business in future. Banco Real and Suzano Petroquímica each score top marks here:

- Suzano's report describes its 'Vision 2015', covering profitability, growth and sustainability. This positions sustainability and corporate governance as the overall guiding principles in strategic planning and external positioning. It also shows how the company seeks to influence suppliers, clients and employees in achieving this strategy.

- Banco Real's description of its 'Sustainability and Innovation Checklist' provides a set of 24 questions related to social, environmental and economic aspects that are intended to guide the creation of more sustainable new products.

The challenge for most of the Top 10 is to go beyond their discussion of sustainability in terms of values and visions, and begin to demonstrate how it is being practically integrated into business activities in both the immediate and longer term.

In time, strategic sustainability integration will separate the leaders from the pack. The connection between sustainability performance and market success becomes far more visible when companies start to leverage their sustainability performance in communication with their consumers and investors. For global examples, consider BT, whose report discusses in detail how sustainability issues and drivers help them develop new business. GE's Ecomagination program also sets clear and rigorous business goals for products with sustainability credentials.

Within the Top 10, we see some interesting attempts to connect sustainability with customer influence and market shaping; for example Natura's efforts to understand customers' attitudes to the brand, and Ampla's campaigns to raise awareness on issues such as conscientious energy consumption and the negative impacts of energy theft. However, combining annual reports and sustainability reports into a single document – as most of the Top 10 do – appears to be the only effort that most companies currently make to bring sustainability issues into communications with investors. This is a missed opportunity to raise awareness about sustainability issues with those who have great ability to act upon it.

A great effort is underway to demonstrate for top management how strategic a sustainability report can be and the potential it represents inside and outside companies.

Fabio Feldmann

Hot Topic

Report credibility

Companies need to work hard to ensure readers take their sustainability reports seriously. Readers want credible reporting that reflects real commitment to sustainability. This was highlighted in the GRI Readers' Survey conducted alongside the Readers' Choice Awards and released in May 2008.²¹ There were 893 readers who participated from Brazil, one of the largest single-country turnouts. The results show what Brazilian readers believe contribute most to a report's credibility (Figure 17).

Our Advisory Group clearly identified the main factors they believe undermine the credibility of Brazilian reports in general:

– **Reflection of true leadership commitment**

The Advisory Group felt that sustainability reports tend to lack the voice of top management and directors, and so fail to communicate leadership understanding and commitment. A discussion of how top management views the challenges, and how sustainability aligns with the core business, will help address this short-fall.

– **Opinions of stakeholders**

The voices of stakeholders, especially critical ones, are notably absent from most Brazilian sustainability reports. This means that readers are given a one-sided view of issues and performance. Experts, neighbors, NGOs and others can inject a dose of reality into reports, as well as helping to demonstrate that the company is serious about addressing concerns.

– **Balanced content**

In general, Brazilian reports emphasize the good news and bury the bad news, or even leave it out altogether. Readers will tend to discount a report altogether if it doesn't sufficiently reflect the challenges of sustainability. It is essential that identification of material issues should include those that present challenges and dilemmas. In addition, discussion of performance should take care to acknowledge and explain failures and targets missed.

– **Quantification**

Reports often lack hard indicators and targets, relying instead on the impressionistic presentation of issues. Readers view this sort of analysis as 'spin' rather than transparent disclosure. Reports should be certain to include specific, measurable indicators and targets, to enable a real understanding of performance.

The use of quantifiable indicators provides credibility: it allows for comparability and demonstrates that a company is really committed to sustainable development.

Cristina Montenegro

A few areas of good practice – even excellence – emerge from the Top 10 nonetheless:

- Celulose Irani's CEO letter frames their approach to sustainability in ambitious, clear and inspiring terms: 'The dilemma between sustainability and competitiveness is false; it is part of a near-sighted and outdated vision of business activities. The private sector's pursuit of profit and the public sector's interests in social justice and environmental preservation are absolutely compatible.' Our analysts were impressed with the implied challenge to industry expressed in the statement, and its impact on the seriousness of the company's report.

- Energias do Brasil includes stakeholders' voices, such as brief statements from employees, contractors, social investment partners and beneficiaries about their general experience of the company, particularly its social investment programs.

- Banco Real and Natura both discuss challenges in ways that are sound and substantive.

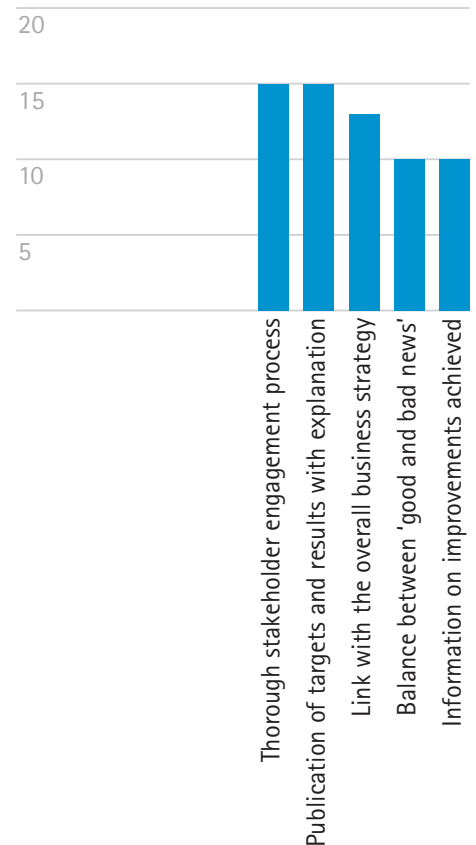
If a report takes readers' needs seriously, and works to address them using some of the practices mentioned above, readers will want to use them to develop strategy and engage on issues that affect us all. If it doesn't do that – and readers can clearly see when it doesn't – it won't be considered credible, no matter what else might be good about it.

Companies are still reluctant to openly present their dilemmas in reports, especially when they are derived from their products, services and business models. Every stakeholder knows that the company has challenges and dilemmas to face and not finding them in the report takes the credibility out of it.

João Gilberto Azevedo

Figure 17

What contributes most to report credibility? % Brazilian respondents
 Source: GRI Readers' survey of sustainability reporting, 2008



Hot topic Materiality

Sustainability reports typically cover a lot of ground. Given that potential impacts of reporters' activities range from employee engagement to climate change, reporting breadth goes with the territory. But reporters generally cannot cover everything and still present a readable, user-friendly report, so choices have to be made as to what is most important for the reporter and for the reader. This assessment is commonly referred to as materiality.

Materiality is one of the common buzzwords in the sustainability-reporting world. However, most Brazilian reports don't reflect a sophisticated treatment of this concept. Most reports default to putting high emphasis on community investment activities, rather than identifying and talking about those issues that are of greatest strategic importance for the company. And there is also a tendency to report altogether too much information, with our Top 10 coming in at a forest-unfriendly average 161 pages.

Materiality on the map

Our Top 10 do indeed recognize the issue of materiality and, for the most part, their reports are careful to provide information on the most important social, environmental and economic issues. While the Top 10 generally describe their processes for selecting and prioritizing issues, they are at different stages on the learning curve. Some might report their materiality processes, but don't actually identify what they consider to be their most important priority issues. Others include a discussion of materiality and priority issues, but also retain significant non-material information in their reports.

Ampla, Coelce, Energias do Brasil and Natura score well on the issue identification and prioritization criterion. Each of these companies' reports provides a good description of the process used to identify material issues, following the GRI G3 Guidelines. Three of these reports include a 'materiality matrix', which helps to describe the importance of issues to stakeholders against their importance to the company. Even so, some reporters attach a fairly high priority to too many issues, which somewhat defeats the purpose of a materiality assessment (Figure 20).

Figure 18

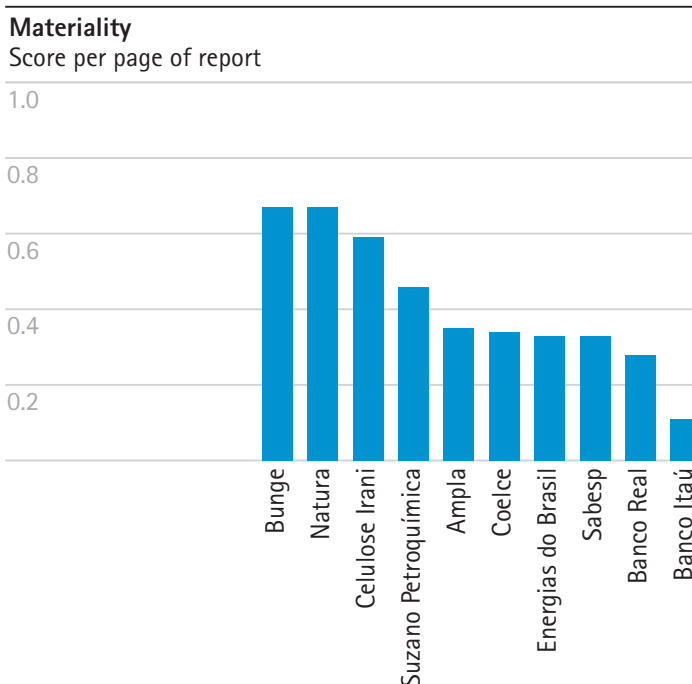
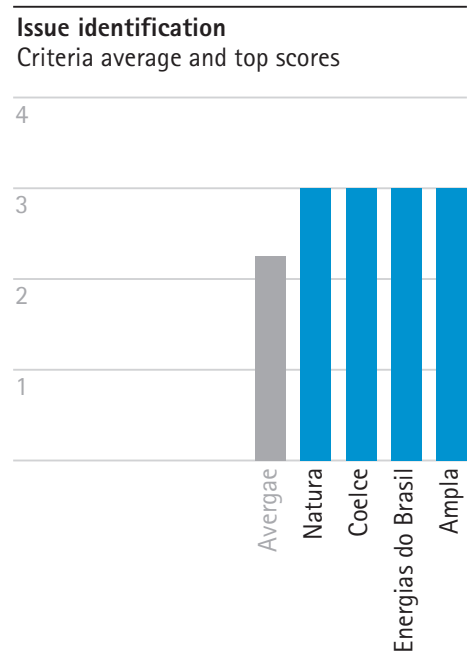


Figure 19



Less is more

It is understandable that reporters would want to ensure their readers have all the information that interests them. But a sustainability report overburdened with information actually impedes understanding, rather than enabling it. The best reporters globally will zero in on just a very few significant issues, often no more than four or five. A good example of global best practice is Ford Motor Company, whose materiality matrix emphasizes just five issues.²²

A good materiality process will improve internal ability to manage issues, reflect a solid, rational approach to management and responsibility, and give stakeholders confidence in a company's clarity and professionalism. It will also greatly improve reports in the short term.

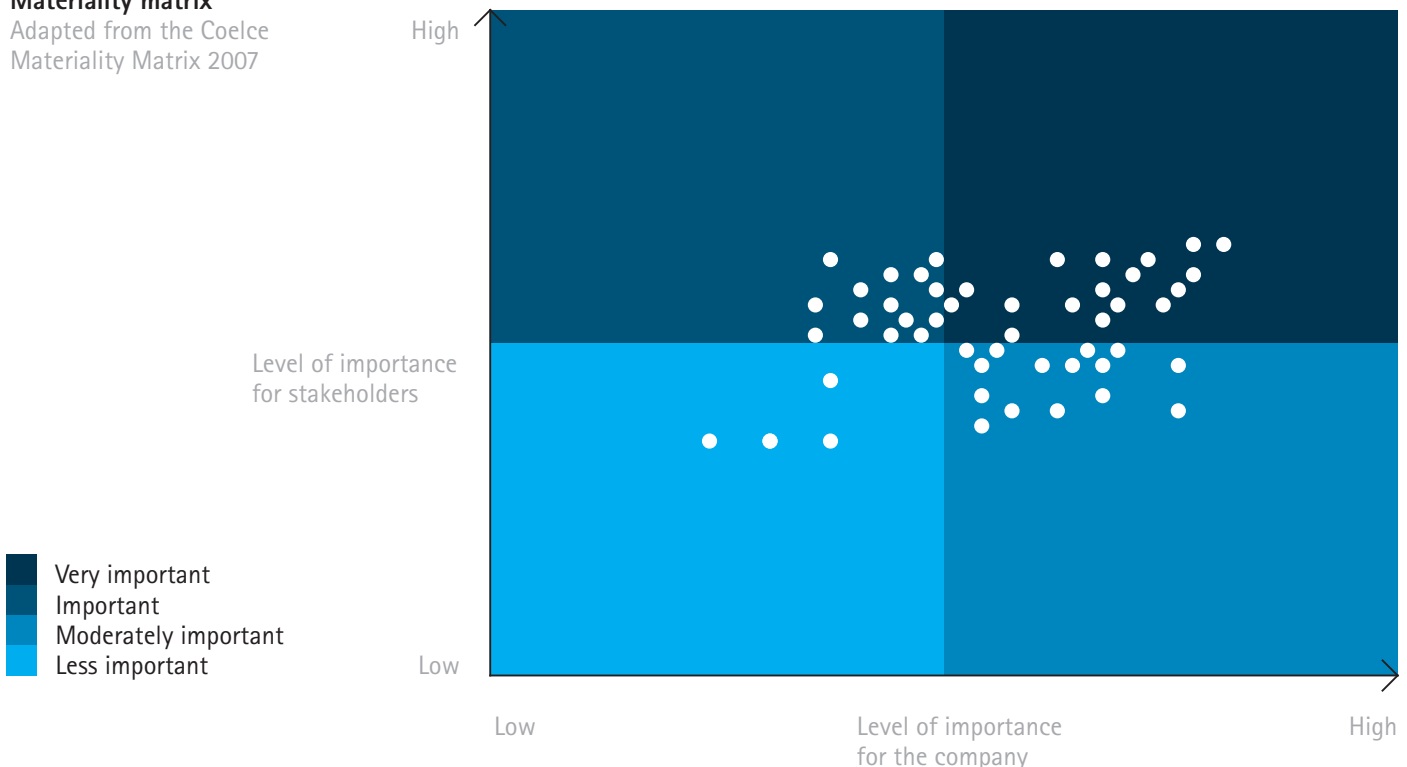
A 'checklist approach' drains away the importance of a report . . . It can become superficial and runs the risk of excluding some very important issues.

Fabio Feldmann

Figure 20

Materiality matrix

Adapted from the Coelce Materiality Matrix 2007



Hot topic

Stakeholder engagement

Stakeholder engagement is definitely on the corporate agenda in Brazil. Nearly all of the Top 10 discuss their efforts to reach out to different stakeholders on sustainability issues or the quality of their reporting. However, there are significant missed opportunities to expand stakeholder engagement as a means of creating value to the business.

Ampla, Bunge and Coelce all achieve scores of 3 points for reporting on stakeholder engagement. Ampla and Coelce both provide detailed stakeholder maps against key issues, and explain their companies' different approaches to engagement. Bunge's report uses a stakeholder panel to assist in identifying material issues for the report; in addition, extensive outreach to farmers, breadmakers, customers, employees and government is reflected.

Outside the Top 10, Souza Cruz (a subsidiary of British American Tobacco) includes heavily detailed and extensive stakeholder engagement, which covers more than a quarter of its entire report. Stakeholder concerns are discussed alongside specific commitments of the company to address them. However, the lack of representation of stakeholders with a public health background results in a troublingly low emphasis on the health impacts of smoking.

The experiences of companies around the world over many years have crystallized a range of principles of good stakeholder engagement:²³

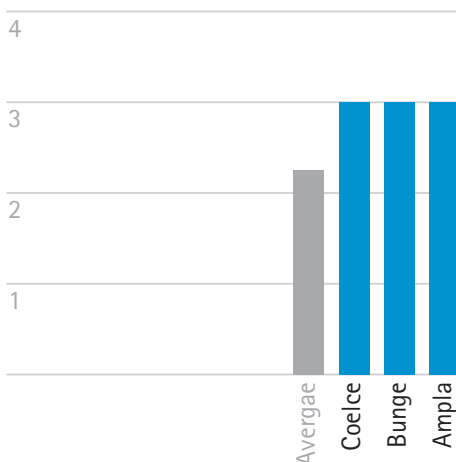
- **Engage on issues that matter**
Make sure engagement aligns with identified material issues to add value to the business.
- **Engage the right stakeholders**
Reports should reflect an inclusive, diverse and challenging set of stakeholders with expertise, influence and willingness to engage the company.
- **Provide adequate resources**
A report will be more relevant to stakeholders if it reflects a deep and strategic dialogue process, with direct senior involvement, rather than a passive survey. Devote adequate resources (time, money and people) to ensure success.
- **Show action**
Demonstrate how engagement has been used to drive actions and commitments, not just as a means to justify past performance or decisions.

While current reporting typically reflects stakeholder engagement to serve reputation and risk management purposes, the future will likely see far greater business value derived from engaging stakeholders in ways that enable them to contribute new sources of intelligence, insight, innovation and market development. Mining such rich resources from stakeholder groups will require careful, new forms of outreach, with due care given to issues of intellectual property.

Figure 21

Stakeholder engagement

Criteria average and top scores



Hot topic

Beyond reports

The reality is that today's sustainability reports, despite all their strengths, are often unsuccessful in reaching their intended audience. A niche group of 'professional stakeholders' (including consultants, the socially responsible investment community and a handful of peers or competitors) may read them cover-to-cover – but very few mainstream investors, customers, employees or neighbors ever will.

Fortunately, a sustainability report is not an end in itself. A reporting process can serve as a de facto management system, enabling continuous improvement. It can assist in strategy and goal setting (as publication prompts decisions and discourages backsliding), generate business intelligence (by highlighting key trends and encouraging internal silo-busting) and increase staff morale (through awareness, pride, action, learning). This process is incredibly valuable, but it rarely results in a great communication tool.

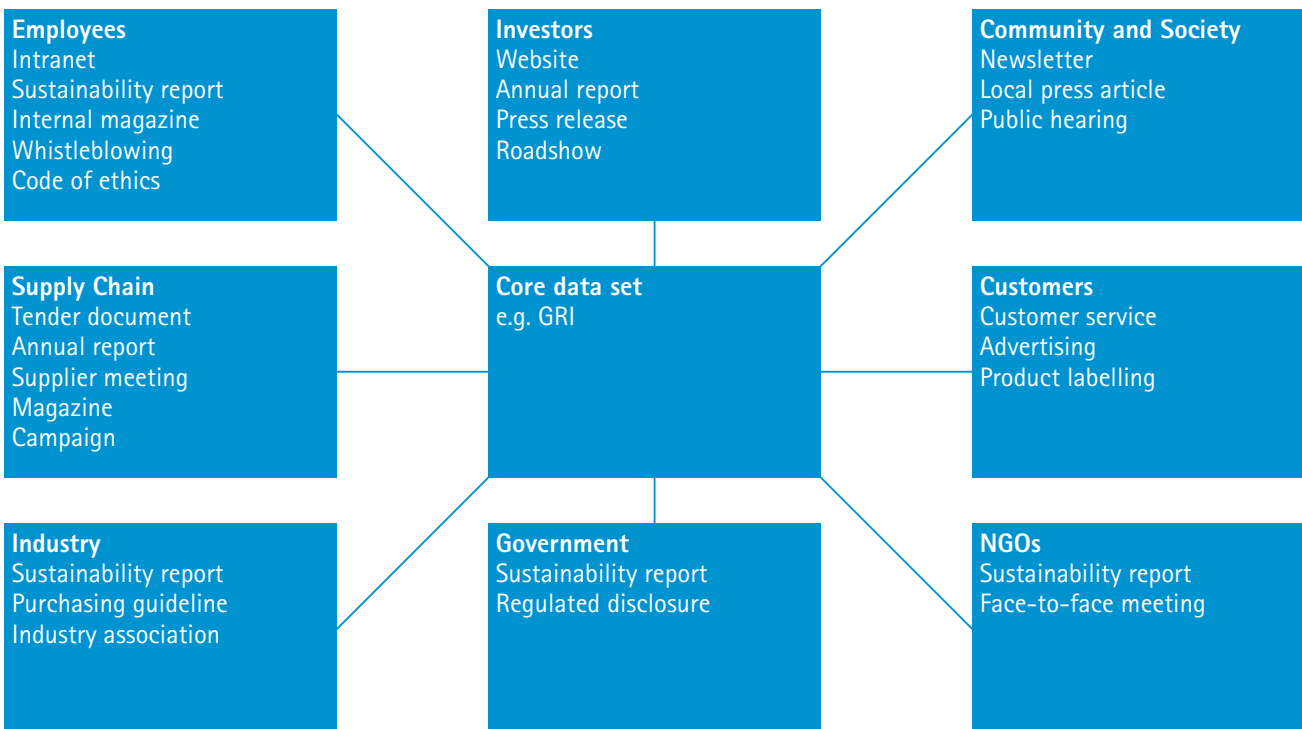
Communication channels

The communication goal of a reporting process should be to provide different stakeholders with the information they need to make good choices – and this can involve a host of other tools and processes. A more varied and specific approach to communicating with stakeholders – using sustainability information – will have a greater impact than is currently possible. This means embedding sustainability information into other forms of engagement with a variety of audiences.

This is a trend we first identified in detail in 2006, when we forecast that sustainability information will increasingly be used to inform annual reports, tender documents for suppliers, customer communications, point-of-sale information, investor briefings, branding and myriad other outlets. Figure 22 explores how this transition might play out over time, and the types of communication channels most fruitful for increased sustainability content.

Figure 22

Integration of sustainability into communication channels



Brazilian reports provide useful examples of how to reach specific stakeholder groups with the right information. For example:

– **Customers**

Banco Real undertook a media campaign to raise awareness among its customers of responsible use of credit. Natura introduced an 'environmental table' on its packaging in 2007, modeled on nutritional data provided on food products, with three indicators referring to the product and three to the packaging.

– **Government**

Sabesp established a department focused on relationships with municipal governments, which directs a program of meetings involving nearly all the municipal governments within the state.

– **Suppliers**

Usina São Manoel, a sugar ethanol producer, requires its suppliers to sign up to the company's code of conduct, including such issues as child labor in the supply chain and the impact of mechanization in harvesting.

Radical transparency

Looking to the experience of international sustainability reporters, today's technology is enabling the dissemination of sustainability information much more effectively, improving stakeholders' access to more detailed analysis and data. This is an area where global best practice seems to be pointing to a fundamental shift in the way people access and use knowledge.

Web 2.0 technology and online social networking are growing dramatically, with implications and opportunities for sustainability reporting. Timberland now publishes its quarterly sustainability updates on the social networking site JustMeans.²⁴ The unprecedented success of 'My Starbucks Idea', with its mixture of traditional business and sustainability issues, heralds a new era of online engagement and reporting.²⁵

Greater value-chain transparency is another area where we are beginning to see signals of increased disclosure. For example, SEDEX (the Supplier Ethical Data Exchange) improves access to information for buyers and suppliers as well as facilitating effective audit processes.²⁶ At the other end of the value chain, we predict users will soon see new tools empowering consumers at the point of purchase. Technology that combines mobile phones, barcode scanners, search engines and melded public and private databases on safety, health, environmental, social and ethical performance may not be far away.

As experimentation with multiple communication channels and technology advancements unfold, they will dramatically change the reporting landscape. See page 28 for a glimpse into our crystal ball.

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.

Throughout this report we have highlighted good practices and spotlighted needs for future development. Here we have collected those recommendations for practical uptake by reporters, in Brazil and elsewhere.

Governance and strategy

Discuss how sustainability is incorporated in 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.

Link sustainability to 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.

Quantify the business case

Profit, loss, cost savings, access to capital, market share, brand value, reputation, investments in innovation and risk mitigation, and speed of operations – all these and more can be affected by your sustainability strategy and actions. A specific, quantifiable understanding of them will improve your report for key stakeholders, particularly investors.

Report challenges, failures and dilemmas

Stakeholders already know these exist, and basic credibility demands a thorough, transparent and honest treatment of the weaknesses, challenges and hurdles 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 procedures are important

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 health and safety, environmental performance, bribery and corruption, labor practices, brand strategy, consumer marketing, learning and knowledge management, and investor relations are all relevant and useful for audiences interested in business.

Sustainability reporting serves to promote change: an enormous number of companies will be necessary to prove that things have actually changed. There are still very few reporters in Brazil.

Gláucia Terreo

Sustainability in the 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, and have significant impact on the sustainability performance of the entire web. 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 on the radar

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**Quantify and contextualise**

The quantification of impacts, such as comparable, consistent indicators, benchmarks and targets helps to build clarity and accountability. Work hard to make the intangible more tangible by being specific about challenges, clearly explaining risks and opportunities and the business case for pursuing sustainable practices and reporting.

Provide accessible, 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.

Set real targets

Targets are among the most important indicators of commitment, as well as critical tools to manage performance, so make sure they are quantified and clear – and include them 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 (but less meaningful) targets like money spent.

Include 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**Make better use of websites**

Websites can add enormous value beyond the information typically contained in sustainability reports, so use them to reach out to specific stakeholder groups, to provide detailed or technical data that's not relevant to a general reporting audience, or to provide local-level information where communities can benefit. Websites can also act as a repository of basic information that does not change frequently – such as sustainability governance structure or policies – which it may be less desirable to repeat in a printed report.

Explain what you don't report

A good materiality process will not only highlight the most important issues that rose to the surface, but also clarify what isn't reported and why.

Report what matters

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. Issues that are relevant, but not highly material, can also appear on the website or in specialist forms for those who need them.

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.

Afterword

The future of accountability

At its heart, 'accountability is the acknowledgment and assumption of responsibility for actions, products, decisions, and policies . . . encompassing the obligation to report, explain and be answerable for resulting consequences.'²⁷ In the sustainability context, corporate accountability includes responsibility for the environmental, social and economic impacts on stakeholders (individuals or groups) that are affected by a company's activities.

Corporate reporting is a major lever for corporate accountability. Thus the key question is: 'Has sustainability reporting driven increased corporate accountability, resulting in meaningful change?' Excluding the few reporting leaders who have risen to the top of our surveys over the years, the answer (we fear) is: 'Yes, but the reporting field leaves a lot to be desired! The three major criticisms of sustainability reporting that we hear are: (1) reports are not read; (2) their primary purpose is reputation management (and thus they lack credibility); and (3) they may help drive strategy and performance, but it should be the other way around.

With this rather bleak diagnosis of the current reporting field, what can we expect looking three to five years into the future? Will report writers be unemployed? Absolutely not – but we predict their jobs will be very different. Looking into our crystal ball, we see a future where the management of sustainability performance is more strategic and valuable – and distinct from – the process of communicating progress externally. Specifically for sustainability leaders of the future:

- 1 Business and sustainability strategy will be seamlessly integrated, part of the corporate DNA.
- 2 Management of sustainability will be subsumed into the strategic management processes – because it is too important to be left on the sidelines. Thus comprehensive tracking of multiple sustainability indicators will require an internal management system, not a yearly data-collection process.
- 3 Sustainability reporting will be embedded into mainstream communications channels, an implicit attribute of products, branding, contracts, etc. Technology will continue to drive a wave of 'radical transparency' empowering dialogue between companies and individuals (see page 25).
- 4 Stand-alone, explicit sustainability reports will either disappear or dramatically shrink in size. Where they survive, they will focus on the 'real-time' intersection of business strategy and material sustainability issues.

Pulling back to the present, what does this future trajectory imply for aspiring sustainability reporters in Brazil? The Top 10 in this survey have proven that they can compete with international reporting leaders – many in a comparatively short period of time. Most of the reporting challenges they still face apply to both traditional sustainability reports as well as the future trajectory outlined above. Integration of business and sustainability strategy, focus on material issues, credibility and real leadership – all of these are fundamental goals and processes, which should be reflected in sustainability reports today and in the internal management and external communication channels of tomorrow. So for those Brazilian companies aspiring to lead the sustainability agenda in the next three to five years, this future trajectory presents a massive opportunity for continued growth – as well as the potential to leapfrog ahead of international best practice.

Notes

- ¹ KPMG *International Survey of Corporate Responsibility Reporting 2008*.
- ² www.corporateregister.com
- ³ Data on South Africa and India provided by CorporateRegister.com. Data on China from *Study of Sustainability Reporting in China: A Journey to Discover Values*, SynTao, 2007.
- ⁴ www.sustainability.com/globalreporters
- ⁵ www.bovespa.com.br/principal.asp
- ⁶ www.iso.org/sr
- ⁷ www.sustainability-indexes.com
- ⁸ www.bovespa.com.br/principal.asp
- ⁹ www.globalreporting.org
- ¹⁰ www.sustainability.com/roadtocredibility
- ¹¹ The criteria were: Issue identification and prioritization; Values, principles and policies; Governance responsibilities and structure; Management procedures; Stakeholder engagement; Measuring sustainable development performance; Target setting; and Assurance and Reporting standards. Further information on these and the rest of the assessment methodology can be found at www.sustainability.com/methodology
- ¹² The shortlist was intended to number 25 reports, but this was expanded to 28 to account for a handful of tie scores.
- ¹³ The five subsidiaries are Ampla, Banco Real, Bunge, Coelce and Energias do Brasil.
- ¹⁴ Further discussion of the Advisory Group's general opinions and recommendations can be found in the section on report credibility (pages 19–20).
- ¹⁵ As both Ampla and Coelce are owned by Spanish utility company ENDESA, their parallel reporting is somewhat less surprising.
- ¹⁶ This issue is explored further in the section on report credibility (pages 19–20).
- ¹⁷ It is recognized that some of this activity may not be relevant in the future, given the recent change in the company's ownership.
- ¹⁸ *The Role of the Board of Directors in Corporate Social Responsibility*, Conference Board of Canada, June 2008.
- ¹⁹ www.accountability21.net
The AA1000 Assurance Standard was updated and relaunched in 2008.
- ²⁰ www.bancoreal.com.br/index_internas.htm?sturl=/bancodepraticas/default.aspx
- ²¹ *Count Me In: The Readers' Take on Sustainability Reporting*, KPMG and SustainAbility, 2008.
- ²² www.ford.com/aboutford/microsites/sustainability-report-2006-07/impactsmaterialitymatrix.htm
- ²³ Excerpted from *Principles and Practices for Successful Stakeholder Engagement*, SustainAbility, 2007.
- ²⁴ www.justmeans.com
- ²⁵ <http://mystarbucksidea.force.com/ideahome>
- ²⁶ www.sedex.co.uk
- ²⁷ Excerpt from Wikipedia definition of 'accountability', October 2008.

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