

# CORPORATE SOCIAL RESPONSIBILITY



## BEST PRACTICES: Brasil's Sugar Industry

by A.L. Parlow, © 2008

# BEST PRACTICES



# BRASIL'S SUGAR INDUSTRY



W h a t i s C S R ?

# PHILOSOPHY OF CSR



- Enlightened Self Interest

- Social License to Operate

# INTERNATIONAL LAW

Announcing The Global Compact  
January 31, 1999

- CSR
  - Labor Rights
  - Human Rights
  - Environment



# THE BASIC FRAMEWORK OF CSR: INTERNATIONAL LAW

## *KEY COVENANTS, TREATIES, CONVENTIONS*

- Universal Declaration of Human Rights
- Covenant on Social, Economic and Cultural Rights
- Covenant on Civil and Political Rights
- International Labor Organization Conventions (ILO)
- UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises
- Convention on the Rights of the Child
- Convention on the Elimination of Discrimination Against Women
- Equator Principles (Environment)
- Kyoto Protocol

## *THREE MAJOR CATEGORIES OF CSR*

- Labor
- Environment
- Human Rights

## *CORPORATE CODE OF CONDUCT*

- Begin with issues of greatest interest to critics
- Build from your own priorities

## *CERTIFICATION PROGRAMS*

- Global Reporting Initiative (GRI)

# DOMESTIC LAW: THE CASE OF BRASIL

Brasil has ratified—or exceeded—many relevant international Treaty standards:

Child Labor Laws  
Health and Safety in Agriculture  
Minimum Wage  
Unemployment Insurance  
Separation from Job  
Human Rights [Modern Day Slavery]  
Environmentally Friendly Technologies  
Climate Strategies  
Burning Cane  
Water Standards  
Riparian Forest Recovery  
Settlement of Landless Agricultural Workers  
Mechanization of Agricultural Lands  
Right to Collective Bargaining

# CSR STANDARDS: Voluntary or Mandatory?





STAKEHOLDERS:  
BUSINESS



STAKEHOLDERS:  
GOVERNMENT



STAKEHOLDERS:  
ONGS

# KEY IMPACTS OF SUGAR PRODUCTION: Labor



# KEY IMPACTS OF SUGAR PRODUCTION: Environment



# KEY IMPACTS OF SUGAR PRODUCTION: Community



# INTEGRATING BUSINESS, GOVERNMENT, and SOCIETY



# BEST CORPORATE PRACTICES

- Core business CSR strategies
- ‘Triple Bottom Line’ accounting:
  - Financial
  - Social
  - Environment
  - Labor



# Board and Top Management Engagement



- Political risk management



- Multi-stakeholder initiatives



- Code of Conduct



- Certification



# CSR DRIVERS

- Community and ONG expectations
- Litigation potential
- International Media
- Trade Agreements
- Market Requirements
- International law
- Domestic law
- Bank Requirements



# BEST PRACTICES: Labor



BEST  
PRACTICES:  
Community



# BEST PRACTICES: Environment



# BEST PRACTICES: Mechanization



# C O M P E T I T I V E   A D V A N T A G E

- Improve reputation
- Improve ability to borrow money from banks that subscribe to the Equator Principles
- Attract and maintain a high quality and loyal work force
- Cost–efficiencies regarding environmental practices
- Improve ability to meet existing and evolving trade and market standards
- Improve ability to forge joint ventures and partnerships with other sugar and ethanol companies that seek to meet the evolving international standards

# TRENDS IN IMPLEMENTATION

- Address areas of greatest concern to potential investors and ONGs
  - Modern-day slavery
  - Child labor
  - Climate change/CO2 emissions
  - Deforestation
- Implement company priorities
  - Conduct social and environmental due diligences
  - Develop detailed CSR business plan
  - Benchmark progress
  - Produce Code of Conduct
  - Invite Certification

# CALCULATING COSTS

- Difficult to calculate cost–benefits with any degree of certainty, however,
  - Generally accepted that while preparatory costs can be significant, maintenance costs are generally far less so
- Methods for approaching a cost-benefit analysis
  - Calculate anticipated cost–benefits for each CSR element
  - Prioritize components
  - Develop a detailed plan for implementation of prioritized CSR elements
  - Include reputation and other intangibles
  - Include estimated gains from increased market share due to implementation

# DEVELOPMENTS IN ETHANOL



# ETHANOL OPPORTUNITIES: BRASIL

- Market Integration
- Joint Ventures
- Export into US market



# ETHANOL: CORN V. SUGAR

Area	Corn	Sugar
Ethanol produced per acre	420 gallons	560 gallons
Planting cycle	Must be replanted annually	Planted every 5-6 years
CO <sub>2</sub> emissions	13-22% lower than petrol	56% less than petrol; up to 90% less with cogeneration
Approximate production cost	\$1.10 per gal (\$46 bbl) in U.S. (Aug 2007)	\$0.68 per gal (\$29 bbl) in Brasil (May 2007)
Break-even point vs. petrol	\$50/barrel	\$35-50/barrel
Non-quota U.S. tariff	No import tariff	\$0.54 / gallon

# CSR AND ETHANOL



- Greater visibility of CSR issues
- Focus on environment, labor and community

# ALL ROADS LEAD BACK TO CSR

- Get ahead of the curve
- Competitive advantage
- Define the regulatory terrain
- Coordinate with international organizations such as ISO

# SEQUENCING STRATEGIES TO IMPROVE CSR

- Exploration—Initial Planning
- Build corporate capacity at all management and labor levels
- Create a CSR agenda
- Operational Roadmap: Create an Action Plan
- Partnerships with Stakeholders
- Mechanism for Formal Worker/Management Communication
- Code of Conduct
- Benchmark and Monitor
- Supply Chain
- Certification Processes

# KEY CHALLENGES

- To build CSR within management structures
- To build partnerships with government, business and ONGs
- To fully address – in consultation with those most affected – the human costs of mechanization – what obligations to the down-sized cane-cutters and their families?

BUILD ON WHAT  
YOU'VE ALREADY  
ACCOMPLISHED



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