# Sustainability Report Ethos Institute and UniEthos 2008







This is the first Sustainability Report by Ethos Institute and UniEthos. It was drafted on the basis of Global Reporting Initiative (GRI) guidelines and is the result of both the stakeholders' process of engagement and the identification of the organizations' material concerns. Although such action qualified this report for tackling other GRI application levels, we decided on level C because we do not yet have the structured study relative to management approaches for each and every category of indicator required for levels B and A. Ethos and UniEthos firmly believe that the process of writing a report is also an opportunity for continuous learning.

## How to read this report

Graphic elements are available throughout this report for ease of reading:

- Links to documents and entities
- + Glossary with complementary information about expressions, acronyms and concepts

Check where GRI indicators are replied to by keeping an eye open for the following icons:

- GRI Profile indicators
- GRI Social performance
- Environmental performance

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# Message from

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# The quest for exemplariness

11) This Sustainability Report is intended to portray transparently the main victories, challenges and dilemmas Ethos Institute and UniEthos have faced over a decade of existence. It tells of important moments in our trajectory and focuses on our internal management and our stakeholders' demands, in the sense of identifying advances and deficiencies. We have endeavored to tell the story in an open, critical and coherent manner with our characteristic sobriety and credibility, which we believe are our main asset.

This Report considers the concerns our internal and external stakeholders deem most significant (material topics). To this end we worked on the basis of guidelines proposed by Global Reporting Initiative (GRI), an international standard for sustainability reports, set out in line with the indicators of Ethos Corporate Responsibility, a tool for selfdiagnosis created by ourselves in 2000.

We are well aware that what is expected of us is exemplariness in connection with management inspired by sustainability values. Over these last ten years we have endeavored to comply with our Mission, a task where significant results have been obtained. Nevertheless, we still face dilemmas regarding how to align our management with the concepts we promote.

Established with the objective of engaging companies in building up a fair and sustainable society, Ethos is part of Brazil's contribution to the worldwide sustainability movement. We lend ongoing support to Global Compact principles. Since the very beginning we have bet on multi-stakeholder dialogue to build and widen consensus without losing our critical and combative character, or our independence. With permanent commitment to our Mission, we have taken on a role fostering the dissemination of subjects which are clearly included today in companies, public powers' and society's agendas.

Our triumphs are the result of the human quality we have managed to bring together in our internal public, which has been substantially added to over time. Together with our suppliers, we have been able to put together partnerships which have already registered concrete results in the dissemination of Corporate Social Responsibility (CSR). Nevertheless, we must continue advancing in the implementation of formalized policies in people management and in systematic forms of engagement and valorization of our suppliers.

We seek to disseminate a new awareness of sustainable management in companies: a fertile process of challenge. We accept our own contradictions and those our associates face, and we endeavor to deal with such matters in an ethical and transparent manner. However, the distinction between legitimate contradiction and action seeking publicity is not always clear.

We have repeatedly been involved in dilemmas concerning these matters. 2008 saw us facing a controversial process resulting in voluntary disassociation on

#### Ricardo Young

(President of Ethos Institute and UniEthos)

#### **Oded Grajew**

(Chairman of the Steering Committee in 2008)

the part of Petrobras. This has been the most recent case, but not the only one. In reply to such controversies, it is urgent to set up an Ethics Committee.

In the context of worldwide economic crisis, where companies will increasingly be made to answer for their actions, we believe the Ethics Committee will be welcome. This crisis is a highly suitable time for maturing and for the revision of paradigms, fostering change in dominant patterns of production and consumption. A new vision is necessary, of the roles of State, civil society and companies, in order to advance in the construction of a fair society.

With this concern in mind, Ethos has set about expanding its sphere of action. After advancing in our work in the arena of entrepreneurial practice, we see that in an external environment removed from these values, entrepreneurial practices fostering sustainability have limited influence. We thus decided to integrate companies, Brazilian cities and national projects in the construction of a sustainable market and society. To this end, we have come up with initiatives such as GRES (Business Sustainability Benchmark Group), the Our Sao Paulo Movement, the Sustainable Amazon Forum and the Sustainable Connections project.

By means of a painstaking process to hear out our stakeholders, carried out in 2008, we promote the amelioration of our vision of the future and the strategy of action for the next three years, and, in the long term, for the next decade. From now on we shall work to increase companies' contribution to sustainable development, shifting our focus on the processes of entrepreneurial management to the environment where companies do business, aligning the CSR (Corporate Social Responsibility) movement with factors contributing to an inclusive, green and responsible economy, striving to put in place a national agenda of public and private commitment to this end. We intend to carry forward exemplary action in favor of sustainability with clear and rigorous paradigms for the reference of associated companies, whilst demanding effective commitment to objectives and seriousness.

Ethos Institute will increasingly take on the role of articulator, fostering public and placement policy in connection with strategic matters related to sustainability. We shall continue investing in our capacity to bring together social and entrepreneurial sectors.

Early 2009 saw important changes in our governance. The chairman of our Steering Committee, Oded Grajew stepped down, nevertheless remaining on as a councilor. Councilor Sérgio Mindlin took over the chair. Changes in membership of the Council are expected, as always designed to strengthen links with society and our stakeholders. With renewed transparency, with the support of vigilant criticism from our publics, both internal and external, we are convinced that Ethos will continue to play a relevant part in the sustainability movement.

# jour journey

<sup>22</sup> Activity developed by Ethos is divided according to the three axes in the Institute's Mission: "Mobilize, encourage and help companies manage their business in a socially responsible way, making them partners in building a sustainable and fair society"

- Ethos International Conference
- InternEthos
- CSR (Corporate Social Responsibility) in the Academy – Future Managers Program/Ethos-Valor Award
- CSR in the Media Ethos Journalist Network and Ethos Journalism Award
- Corporate Network for Sustainability
- Exhibition of Sustainable Technology
- Ethos Portal (www.ethos.org.br)
- IAF (Inter-American Foundation) Equity Program

"Mobilize, encourage...

Social Responsibility (general, micro and small companies and sector).

Management of Agreement

• Ethos Indicators of Corporate

- Management of Agreement Ethos Indicators
- CSR and Fight Against Poverty Work Group (executive secretary)
- Latin American CSR Program (PLARSE – executive secretary)
- Tear (Loom) Program –
   Weaving Sustainable
   Networks

UniEthos

and help companies manage their business in a socially responsible way...

# Mission.

Ethos Institute – Business and Social Responsibility

making them partners in building a sustainable and fair society."

- Ecological Corridors
- Human Rights and Corporate Social Responsibility
- Sustainable Amazon/ Sustainable Connections
- Decent Work Agenda
- Pact against Slave Labor
- Business Pact for Integrity and Against Corruption
- Sustainable Companies and Cities Work Group
- Global Compact Brazilian Committee

### **Educational Programs**

- Open courses
- In company courses
- Strategic Management for Sustainability Program

"Help companies manage their business in socially responsible fashion,

by means of education and orientation of leadership,

#### **Advisory**

- Facilitating application of Ethos Indicators
- Support for strategic planning of sustainability
- Ethos Indicators and Value Chain Management Agreement
- Programs with Institutional Supporters

contributing to the construction of a sustainable and fair society."

# Mission

**UniEthos** – Education for Social Responsibility and Sustainable Development

#### **Work Groups**

- Ethos ISO 26000 Work Group
- Global Reporting Initiative Work Group
- GRES Business Sustainability Benchmark Group



- Foundation of Ethos Institute Business and Social Responsibility
- Launch of the manual "Social Responsibility in Companies – First Steps"
- II Conference on Corporate Social Responsibility in the Americas, 1st Ethos Institute Conference on Companies and Social Responsibility
- Launch of the 1st manual in the series "What Companies Can Do"



At the end of the 1990s, when companies' action was limited to philanthropy, an entity arose with the objective of invigorating corporate social responsibility and contributing to the transformation of society

# An idea in place

One June afternoon in 1998 a group of entrepreneurs were debating heatedly in a Sao Paulo restaurant. Gesticulating, engaging in side conversations, scribbling on sheets of paper, raising and lowering their tone of voice. Anyone watching them from a distance could have thought it was a conspiracy. The characters in this debate were Guilherme Leal (Natura\*), Sérgio Mindlin (Metal Leve\*), Eduardo Capobianco (Construcap\*), Oded Grajew (Abrinq Foundation\*), Hélio Mattar (GE-Dako\*), Emerson Kapaz (Elka Plásticos\*) and Ricardo Young (Yázigi\*). Ethos Institute – Business and Social Responsibility was born at that lunch, with the design of its first set of statutes agreed upon.

A few days later, at the home of entrepreneur Maria Cristina Nascimento (Espaço Empresarial Gestão de Serviços\*), the project for the Institute was presented to 40 important business leaders, such as representatives of the Marinho and Moreira Salles families (Organizações Globo and Unibanco respectively). The criterion for choosing the guests was the degree of concern they had previously demonstrated in connection with the role of companies in transforming society. The proposal for establishing an entity was submitted to them – an entity pledged to mobilizing companies towards socially responsible business management, based on dialogue and building up consensus, with the objective of making them key players in social change.

The idea found instant support. The first applications for membership of Ethos Institute were signed by over half the guests that same evening. "There was something in the air, a vacuum filled by the proposal to establish Ethos. That's why assent was so quick", explains the hostess, Maria Cristina.

- 2<sup>nd</sup> Ethos National Conference on the subject of "Processes for Implementation of Social Responsibility in Companies"
- Launch of Ethos Indicators of Corporate Social Responsibility
- Launch of Ethos-Valor Award, aiming at the university public
- Launch of Ethos Journalism Award
- Launch of Ethos Journalist Network
- · Launch of Practices Bank
- Contribution to establishing the Transparency Brazil organization set up by a group of citizens and 11 nongovernmentalrganizations
- Ethos coordinated the engagement process for Brazilian companies in Global Compact
- Launch of 1<sup>st</sup> Edition of the publication "Corporate social responsibility in the election process"

#### THE RIGHT TIME

Since 1997 Oded Grajew had been mulling over the first ideas for the Institute. In the late 1990s society was going through another cycle of expectations and hope. President Fernando Henrique Cardoso's first administration was approaching its end. The Plano Real, which had been put in place in 1994, reigned in inflation and promoted economic stability, which was to contribute to President Cardoso's 1998 reelection. Globalization was looming as the new world order, and companies were adapting to the transformation of the economic situation. "When the market opened up, family companies had to restructure. Modernizing and loosening up capital became urgent to face competition. Well structured management and governance were a way forward for companies wishing to differentiate themselves", explains economist Lídia Goldenstein.

These profound changes also influenced companies' models for social investment. Until then, philanthropy had been guiding the distribution of resources, which were usually invested in specific action of an assistive nature. "The very notion of corporate social responsibility was still incipient1", states Fernando Rossetti, secretary-general of GIFE 2 – Group of Institutes, Foundations and Enterprises. "There was a lack of consolidated concepts. At that time the articulations that were to accelerate their structuring process were just beginning to be formed."

Additionally, corporations in Brazil were not in the habit of reporting on their social activities. As at 1997 only nine companies had adhered to the model for social balance launched that year by <a href="lbase">lbase</a> (Brazilian Institute of Social and Economic Analyses). Today there are 130. At that time, GIFE (established in 1995) had 26 members, about one fifth of the present number.

The focus of private social investment is the community, and it is regulated by the voluntary outlay

of private resources for public ends, by means of social, cultural and environmental projects. However, corporate social responsibility focuses on all strategic publics and company management. Ethos' work developed with the objective of incorporating CSR into corporative management and going well beyond social investment, making companies partners in the country's development.

"Our expectation was to submit the matter of corporate social responsibility to public debate. In Brazil, the subject was never brought up. The participation of entrepreneurs was still commonly taken for philanthropy," Maria Cristina Nascimento recalls. The proposal called for a change in understanding and paradigms. "They thought we were a bunch of madmen," jokes Ricardo Young, upon recalling the Institute's early days. After a pause he adds, "Many still do, don't they?"

#### INTERNATIONAL INSPIRATION

As opposed to what was happening in Brazil, in 1997 the Corporate Social Responsibility movement was at full throttle in the United States. Entities such as Social Venture Network (SVN4) and Business for Social Responsibility (BSR<sup>5</sup>) were promoting debates on the subject between North American entrepreneurs. That year Oded Grajew spent a sabbatical leave in San Francisco and acquainted himself with the evolution of North American companies. Supported by the Kellogg Foundation, he traveled to Europe and the United States for a close look at the work of organizations with entrepreneurial action in the social area. Oded's research was supported by Valdemar de Oliveira Neto, a.k.a. Maneto, who was working for the international organization Ashoka Social Entrepreneurs<sup>6</sup> at the time. He accompanied Oded on his visits to SVN and BSR.

Together, the two Brazilians stimulated BSR to extend the debate on CSR to companies in Latin America.

1. Concept definition (source: Ethos Indicators Glossary): "CSR is the management approach defined by the ethical and transparent relationship between the company and all the publics it relates with, and by establishing company targets that are compatible with sustainable development of society."

2. http://www.gife.org.br/

3. http://www.ibase.br/

4. http://www.svn.org/

5. http://www.bsr.org/

6. http://www.ashoka.org

- - 3<sup>rd</sup> National Conference, on "Assessing and Communicating Companies' Social Responsibility Practices"
- Akatu Institute for Conscious Consumption set up
- Support in setting up the Business Forum for **Supporting Municipalities**
- Launch of the course "Principles and Practices in Corporate Social Responsibility – Management of Social Responsibility", in a partnership between the Getulio Vargas Foundation's Center for Third Sector Studies and Ethos

The entity accepted this "provocation" and organized, as early as November 1997, the 1st Conference of the Americas on Corporate Social Responsibility, in Miami, which brought together North American and Latin American companies to discuss the subject.

The Conference was the kick-off needed to launch the movement in Brazil. "The group of Brazilian entrepreneurs who took part in the Conference left Miami with the mission of fostering debate on CSR in Brazil. "It was decided that the second gathering would take place in Sao Paulo", says Maneto, currently a member of Ethos' Advisory Board. Two years later the II Conference of the Americas on Corporate Social Responsibility was held. This is considered Ethos Institute's 1st Conference.

The experience acquired through contact with BSR, added to earlier engagement initiatives of Brazilian entrepreneurs - such as National Thought of Entrepreneurial Bases (PNBE) and the Abring Foundation for Children's Rights, which Grajew was the president of -, supplied the guidelines needed to set up an entity for the dissemination of CSR in Brazil. Eight months after the Miami conference, Ethos Institute was born.

BSR material was translated into Portuguese and adapted to local reality. One piece was the "First Steps" manual, an introduction to Corporate Social Responsibility. Psychologist Mara Cardeal, Grajew's partner, came up with the name Ethos. "The name simply appeared," wrote Mara in a letter included in the exhibition on 10 years of Ethos. Rich as it is in meaning in philosophy, ethnology and ethics, the term "Ethos" leads to the study of customs, the spirit of an era, the science of human duty, the notion of association and the gathering of fellows. "I'd like your movement to be an expression of all the meanings encompassed in 'Ethos", wrote Mara in her letter.

#### **ETHOS TODAY**

If in Ethos' early days the challenge was to disseminate the concept of social responsibility in Brazil and raise entrepreneurs' awareness, today the scenario is different. The subject is known well enough. The ideas of transparency and commitment to society have become a part of companies' discourse. Today 435 Brazilian companies trade shares on Bovespa and are therefore submitted to criteria on governance and transparency required for capital opening.

In the social area, philanthropic action is not considered very effective for social change. Sustainability – a concept defending the balance of business in economic, social and environmental performance - is present in the discourse of most organizations.

28) "In concrete matters, HDI (Human Development Index) has improved in Brazil, CSR concepts have entered the political agenda and the advance in environmental debate over the last decade cannot be denied. But it does not follow that discussions are profound, or commitments real," in Oded Grajew's assessment. Now the challenge is to qualify debate. In December 2008 Ethos had 1,314 member-companies. Concepts and tools were developed, produced and made available to all interested parties, freely and for free. In 2008 the Institute took part in more than 30 movements and national and international entities concerned with the debate on sustainability. Members of Ethos' leadership acted as councilors in many (see chart on page 63). Ethos' projects, which initially focused on internal awareness-raising in connection with social responsibility within companies, gradually extended their sphere of influence to the cities where the companies are located and to the market, by means of its value chains. Now, it is all about strengthening action and debate, and demanding more effective performance of the actors involved.





2002 2003

- 4<sup>th</sup> National Conference, on "Management and Social Impact"
- "Evidence Matrix" study carried out
- Launch of Ethos Sector Indicators
- Organizing the first series of debates by Presidential candidates
- 5<sup>th</sup> National Conference, on "Ethics and Social Development"
- 1st Survey on "Social, Race and Gender Profile in the 500 Largest Companies in Brazil. and their Affirmative Action"
- Launch of Ethos / Sebrae Indicators of Social Responsibility Micro and Small Companies and the manual "Corporate Social Responsibility for Micro and Small Companies – Step by Step", in partnership with Sebrae

### Next steps

In its early days Ethos focused on fostering companies' adhesion to practices of corporate social responsibility. The following steps involved building up concepts covering the subject and creating tools to help organizations incorporate the values of sustainability in management. After a decade's work, the Institute discerned the need to turn to the environment in which companies operate: the market, and in broader terms, the economy.

"This matter became imperative, because it is not possible for a company to be sustainable in a market that does not share these values," explains Ricardo Young. "Companies' voluntary mobilization stemming from changes in management culture has come up against limitations putting advances in sustainability at risk, such as the lack of references in the market to mark society's level of demand in connection with companies' behavior. That's why it's necessary to work in the environment of the economy," adds Paulo Itacarambi, Vice-President of the Institute. This view has led to a new action strategy for Ethos. "The challenge for the coming 10 years is to be active and help organize the collective effort to influence the main processes structuring the economy. What is needed is an economy that works, integrates and balances social, economic and environmental dimensions," says Itacarambi. In this direction, Ethos intends to link proposals for the CSR movement and the Earth Charter, making it the main reference for the sustainability movement. "We consider the Charter the best systematized compendium for what we believe to be a standard of sustainable development", Young makes clear.

The catalytic role of this collective linkage will be played by the process of building up a National Agenda for the development of an inclusive, green and responsible economy, focusing mainly on four aspects: a vision of a sustainable economy, a model for development in line with this vision, an agenda of concrete commitment and action on the part of the public and private sectors, and a platform for convergence of the different — and so far dispersed — initiatives of companies, public policies and civil society organization

This change in strategy had already been indicated in 2006 by the launch of the **Manifest for Sustainability**. "It is a very important framework. Ethos was focusing on the question of social responsibility within companies, with no clear link to Brazil's strategy for development. The Manifest made the connection," says Young. "So as to strengthen and lend continuity to this mobilization, we intend to participate more actively in building up partnerships and public policy," he adds.

Work on Vision and on Strategic Planning for the next few years started in early 2008. Several proposals were made at the International Conference, in connection with building up a socially responsible market. The process was continued by consulting different stakeholders during trips to another six Brazilian cities — Manaus, Vitória, Rio de Janeiro, Salvador, Goiânia and Curitiba. This early effort became the footing for an initial design for strategic development, which was debated by Ethos' Steering Committee in a meeting in December 2008 where it was deemed necessary for Paulo Itacarambi to work solely on the project until the 2009 Conference, when a preliminary proposal covering the next 10 years is to be submitted by the Institute's leadership. Councilors and team members of Ethos, as well as partners of the Institute's, have already been heard out, and the consulting process will continue throughout 2009, when associates' opinions will be sought.

http://www.www1. ethos.org.br/EthosWeb/ pt/1462/o\_instituto\_ ethos/o\_internethos/o\_ que\_fazemos/politicas\_ publicas/sustentabilidade, manifesto\_pela\_ sustentabilidade.aspx

Concept definition (source: Ethos Indicators Glossary): "Stakeholder. An individual or group that might affect the company by means of opinions or actions, or be affected by the company."

http://www.earthcharterinaction.org

Concept definition (source: Ethos Indicators Glossary and Brundtland Report): "The development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

#### 2003



- · Launch of the Brazilian edition of the "Green Book"
- Support for Zero Hunger Program:
- · Contribution to establishing the NGO Support for Zero Hunger
- Construction of municipal database
- Production of manuals on food safety for universities, companies, trade associations and workers
- Oded Grajew takes leave from the Presidency of Ethos to become a special advisor to Brazilian President Luiz Inácio Lula da Silva

Ethos Indicators, created in 2000, the Tear (Loom) Program launched in 2006 and GRES (Business Sustainability Benchmark Group) set up in 2008, are three initiatives contributing to the incorporation of CSR concepts in company management

# Hands on

Should a company make its ethical commitments public? Should it absolutely forbid illegal practices? Does its code of conduct take into account the publics concerned? These are but three of the 22 questions in the indicator "Ethical Commitments" - one of forty comprising Ethos' Corporate Social Responsibility Indicators. Companies disposed to evaluate incorporation of CSR in its management reply to a total 461 questions based on this diagnosis tool set up by the Institute.

The effect of this effort of self-assessment is to map out company's practices in detail and identify opportunities for improvement on seven fronts: "Values, Transparency and Governance", "Internal Public", "Environment", "Suppliers", "Consumers and Clients", "Community" and "Government and Society".

"The indicators are a means to mobilize companies. Thought stimulated by this tool helps the organization understand what CSR is in practice and review its action," explains Renato Moya, the coordinator responsible for Ethos' CSR Indicators. Statements made by companies that have used this tool confirm this vision. "Since 2005, most member-companies of UNICA (Sugar-Cane Industry Union), a representative organization in Brazil's sucroseenergy sector have made their diagnoses with the help of Ethos Indicators. By replying to the questions, we are able to identify strong points and opportunities for improvement in each and every sugar mill, and use them as a starting point for setting priorities and targets, and better focus action in the area of social responsibility," explains Maria Luiza Barbosa, a CSR consultant to UNICA.

- 6<sup>th</sup> National Conference, on "Sustainability of Society and Business"
- Establishment of UniEthos Education for Social Responsibility and Sustainable Development
- UniEthos Instructor
   Network set up
- Pact against Slave Labor in the Charcoal Production Chain signed
- National Pact for Eradication of Slave Labor
- Launch of the National Movement for Citizenship and Solidarity (Millennium Development Goals)
- National Citizenship and Solidarity Week
- Launch of the publication "Companies' Commitment to Millennium Development Goals"
- Launch of the Brazilian
   Evidence Matrix
- Oded Grajew returns to Presidency of Ethos

Ethos Indicators were launched in 2000 and since then they have been made available for free. Certain revisions have already been performed. In addition, there are ten sector versions of the indicators, and one specific version for micro and small companies, brought out in partnership with Sebrae (Brazilian Support Service for Micro and Small Enterprises). Over these last eight years the indicators have been applied by hundreds of companies. For example, the 2007 version was used for diagnoses purposes by 852 corporations. The tool is recognized by the United Nations Global Compact and UNICEF, and has been translated into English and Spanish, adapted for local implementation by Latin American organizations, and put to use by companies in Europe, Asia and North America.

Use of the indicators is essentially internal, and absolute confidentiality of returns is guaranteed. As of 2007 returns have been filled in online (www.ethos.org. br/indicadores). This change in the tool has brought about greater agility, as it made it possible for reports on results to be ready the day after a company's filled-in return is received. One new addition is that as of 2007 member-companies have been able to make agreements with Ethos Institute for the application of the indicators to their respective value chains.

http://www.sebrae.com.br

Concept definition (source: Ethos Indicators Glossary): "Business administration concept designating a number of activities related to and developed by the company to meet clients' and customers' needs, from relations with suppliers and providers and production cycles to the phase of distribution to final consumers".

#### Participating companies 2000 – 2007



Remark: The years indicated in the graph do not refer to the period of application of the tool; they indicate the year of the version of the indicators. It is important to stress that as companies are not obliged to notify Ethos Institute that they are using the tool, the number of actual utilizations tends to be greater than that shown in the graph.



The 2008 International Conference brought together hundreds of people in the Anhembi Convention Center in Sao Paulo.



#### 2005

- 1st International Conference, on "Partnerships for a Sustainable Society"
- Organization of 10<sup>th</sup> International Business Forum, in partnership with UN and Inwent
- Launch of "11 Basic Principles of Social Responsibility", developed in partnership with Abrapp (Brazilian Association of Closed Complementary Pension Entities)
- Start of work on developing ISO 26000 (Guide of Directions on Social Responsibility), a process in which Ethos participates in the role of expert
- Launch of Ethos Work Group for ISO 26000
- Launch of Pact for the Eradication of Slave Labor

Creation of Methodology for Facilitating the Application of Ethos CSR (Corporate Social Responsibility) indicators, by UniEthos

#### **DISSEMINATION CHAIN**

1 The Tear (Loom) Program – Weaving Sustainable Networks, set up in 2006 to work with the value chains of large companies, enjoys support in the form of application of Ethos Indicators in all the companies involved in the project. In 2008 Tear won a Faz Diferença (Make a Difference) Award in the "Social Reason" category, presented by O Globo newspaper. The award is intended to recognize the initiatives contributing the most to changing the country.

Promoted in partnership with the Inter-American Development Bank (IDB), Tear Program's objective is to work in the areas of competitiveness and sustainability of small and medium enterprises (SMEs) by means of action in the chain of so called "anchor stores", large organizations that are representative of their sector (see chart). Another goal is to create methodologies and tools that can be reapplied in other companies not participating in the program.

In the first edition of the program, nine anchorcompanies and 97 small and medium enterprises (SMEs) were mobilized in eight strategic sectors of the economy. By time it drew to an end, over 25 thousand people had been made aware of CSR. In terms of gains in competitiveness and productivity, 71% of the SMEs stated that they saw improvement in commercial relations with their respective

value chains. In addition, 130 clients and customers were included in the SMEs' trade relations owing to their participation in the *Tear* Program. In the case of the large companies, *Tear* became a meeting place for strengthening their relations with suppliers and providers.

Another program that contributed, together with Tear and Ethos Indicators, to Ethos being able to help companies manage their business in a socially responsible fashion is GRES (Business Sustainability Benchmark Group). Its objectives are to create references of companies' experiences with sustainability, foster cooperation among participating companies and exhibit concrete evidence that it is possible to put together CSR and positive company performance. GRES's pilot program was put in place in 2008 with the participation of eight companies.

"These are Ethos' three great methodologies. They complement one other in their function and their impact. The Indicators have an educational character of self-diagnosis, Tear focuses on the value chain and spreading the word about CSR, and GRES works on collaboration among companies in connection with building up references in sustainability," states Ethos Institute Vice-President Paulo Itacarambi.

#### Sectors and anchor-companies participating in the Tear Prog

Sector	Anchor-Company		
Sugar and alcohol	Santelisa Vale Bioenergia		
Civil construction	Camargo Corrêa		
Electric energy	CPFL Energia		
Civil construction development	Gafisa		
Civil construction development	Y. Takaoka Empreendimentos		
Mining	Vale		
Petroleum and gas	Petrobras		
Metallurgy	ArcelorMittal Brasil		
Retailing	Grupo Pão de Açúcar		

- Ricardo Young became President of Ethos and UniEthos
- 2<sup>nd</sup> International Conference, on "The Socially Responsible Company's Role in a Sustainable Society"
- Launch of Manifest on Sustainable Management
- Launch of Business Pact for Integrity and Against Corruption
- Launch of Tear (Loom) Project –
  Weaving Sustainable Networks, in
  partnership with Inter-American
  Development Bank
- Launch of 1st edition of GRI Work Group
- Launch of UniEthos' Strategic Management for Sustainability Program
- Launch of the publication "Essential Criteria for Corporate Social Responsibility and their Introduction Mechanisms in Brazil"

# Public and private

ls it proper for Ethos Institute to use knowledge of a public character to meet private interests in a company? If we were to charge for this service, would we be giving Ethos a commercial character? On the other hand, isn't the direct contact established with companies by rendering this service a privileged opportunity to influence them?

In the early 2000s, the market was exhibiting growing demand for customized training to incorporate CSR matters into companies' internal leadership. Due to strategic guidelines, Ethos could not mobilize resources to attend to private organizations, and even if it did, it would not be able to charge for services rendered. At that time the most effective way to perform such a function was to set up an entity independent to Ethos, but nevertheless complementing the Institute's objectives. UniEthos was established in 2004 as an independent non-profit association, acting solely in education, by developing studies, research and training in CSR. That same year it qualified with the Ministry of Justice as an OSCIP. UniEthos was to attend to companies individually and charge for services rendered, plowing resources back into the production of public knowledge. Today UniEthos focuses on education and orientation of company leadership, which strengthens its role as a supporter of the second axis in Ethos' Mission. In practice the direction taken leads to putting together educational programs for companies, advising To meet market demand without compromising its public nature, Ethos Institute established an independent entity for education and orientation

organizations on matters related to the incorporation of sustainability into management, and mobilization surrounding work groups. These lines of action were consolidated in early 2008, when UniEthos' Mission was reformulated.

"An entity's public nature is not related to how it is funded but to the manner in which it allocates the resources it receives and the quality of the service it provides to society. It is proper for a company to pay for services rendered by UniEthos, because it is using public knowledge for a private project," stresses Ricardo Young.

"The subject matter dealt with in UniEthos programs is not new relative to knowledge diffused openly by Ethos. What changes is the manner in which this knowledge is structured specifically for each company," explains Gustavo Baraldi, UniEthos' Education Area coordinator.

#### **ILL WIND**

The model initially envisioned for UniEthos – an OSCIP independent to Ethos – proved excessively optimistic in terms of income generated and had to be reviewed. Market demand for educational services related to CSR proved insufficient to meet the new entity's costs. In the face of this scenario, in 2005 we took a strategic decision. The two organizations would henceforth share the same administration and management structure, and Uni-Ethos' payroll had to be substantially reduced.

Concept definition (source: Ethos Indicators Glossary): "Acronym for "Organização da Sociedade Civil de Interesse Público" (Civil Society of Public Interest Organization), a status granted by the Executive Power since 1999.



- 3rd International Conference, on "Companies' Commitment to a Sustainable and Fair Society"
- · Contribution to creation of Our Sao Paulo Movement
- · Contribution to creation of Sustainable Amazon Forum
- · Launch of GRES (Business Sustainability Benchmark Group)
- Creation of Innovation in Sustainability Award, in partnership with Usaid (United States Agency for International Development)
- Partnership with GRI formalized

### 1,380 was the number of participations in UniEthos' activities in 2008

29 In 2008 UniEthos was reformulated once again. The Academic Relations area, for instance, was merged with Ethos' Communication and Mobilization Management. After the changes, UniEthos had three areas of action: educational programs, advising and work groups, and the changes brought the organization positive results. That year both open and in-company courses increased substantially in relation to 2007, in terms of both number of groups and number of participants (see chart). However, the Strategic Management for Sustainability program and the activities facilitating the application of Ethos Indicators saw a slight reduction in the number of companies and participants. Nevertheless, the program was quite positively evaluated - 82% of people responding to the satisfaction survey considered it "good" or "very good".

#### **UniEthos in figures**

Courses		2007	2008	Variation
Open	Participants	189	340	80%
	Courses	9	14	56%
In company	Carried out	11	14	27%
	Participants	705	919	30%
Strategic Management	Companies	8	7	-13.5%
	Participants	24	21	-13.5%
Fo cilitations	Carried out	6	4	-34%
Facilitating	Participants	180	100	-45%

#### **Ethos Institute and UniEthos**

	Ethos Institute	UniEthos		
Year Established	1998	2004		
Nature 26	Association (OSCIP)	Association (OSCIP)		
Main activities	Construction & dissemination of CSR tools and concepts, promotion of gatherings and forms of linkage and mobilization of companies	Education & orientation in CSR & sustainability for company leadership		
Ways of funding	Sponsorship, members' contributions & agreements	Resources stemming from training & advisory services rendered to companies. Adherence of companies to work groups.		
Income in 2008	R\$ 11,239	R\$ 4,061		
Management	Cha	arad		
Physical space	Shared			

- 4th International Conference, on "Socially Responsible Market: a New Ethic for Development" with the "10 Years of Ethos" exhibition
- 1st edition of the Sustainable Technology Exhibition
- GRES (Business Sustainability Benchmark Group) Pilot Group set up
- 1st course in Brazil on sustainability reports certified by GRI
- A Meeting of Presidents: Human
- Rights and Corporate Social Responsibility
- Contribution to setting up the Sustainable
- Connections Sao Paulo-Amazon Initiative
- Launch of the "Strengthening
- Social Responsibility in Companies" workshop
- Sustainable Companies and Cities Work Group

# A meeting in one's agenda

Facing a full house, an entrepreneur in the agribusiness sector is openly criticized by non-governmental organizations. At another conference a renowned economic journalist sets "journalistic neutrality" aside and emotionally expresses her indignation at the presence of slave labor in the value chain of Brazilian companies.

Such incidents can only take place in democratic environments such as the Ethos Conference. Aimed at companies, entities representing entrepreneurs and members of social organizations, the Conference endeavors to promote dialogue between different publics and set an agenda for courses to be set for the CSR movement. "Our effort is to bring up for discussion whatever is most veiled to the movement," says João Gilberto Azevedo, executive manager for Development and Orientation.

At early conferences the focus was on awareness-raising among companies and the debate on CSR strategies. In rhythm with the movement's growth, as of 2005 – the year of the first international version of the event – the sphere of reflection expanded. The linkage of companies with other social actors and their action in a broader context came up for debate. Increasingly, opposing opinions about a given subject were given face to face.

The next step forward was taken at the 2008 Conference: expanding discussions on the culture of sustainability by means of the motion "Socially Responsible Market: a New Ethic for Development". That year, when Ethos

Carried out since 1999, the Ethos Conference endeavors to include dilemmas and challenges to the CSR movement, a task that has led to heated argument but also to times of consensus

was celebrating its first decade of existence, the event hosted an interactive exhibition called "Ethos 10 years".

The Innovation in Sustainability Award was organized for the first time. This aims at the valorization of new sustainable technology, equipment and processes. Another first, the Sustainable Technology Exhibition, brought the public 60 technologies that take the sustainability tripod into account, all of them suitable for reapplication. The objective is to encourage companies to use existing sustainable technology and invest in the development of new technology. "We have no intention of setting up a trade fair, or a science fair. The whole idea is to make the Exhibition an inspiring environment, where visitors can see and interact with technology focusing on solutions to questions related with sustainability," explains Margarida Curti Lunetta, who is responsible for the Exhibition. Because of its innovative character, we intend to make it an annual event.

From now on, the tendency will be for Conferences to discuss not only challenges, but also improvements and practical action for companies' management to adopt. In the long term, we want the companies to become protagonists in programming the event itself.

# values transpar



Putting together management and governance models compatible with the nature of non-governmental organizations' activities is one of the Third Sector's main challenges. It is no different for Ethos

# Management of NGOs: a collective challenge

http://www.mj.gov.br

According to the Ministry of Justice's website, in mid-May 2009 there were 4,965 entities in Brazil certified as OSCIPs (Civil Society of Public Interest Organizations). To a greater or lesser extent they all face the same dilemma: the lack of models for management and governance that meet the peculiarities of their particular kind of work. A British study in 2003 with the title "The 21st Century NGO", by SustainAbility Consultants, shows that this is a global challenge. At the end of the 20th Century, NGOs went through a period of professionalization, and in the early 2000s their activities showed a turnover of US\$ 1 trillion per annum. Now they must adjust internally to this new actuality. The British publication stresses that dynamism is in the nature of NGOs. While they must be agile in order to position themselves in the face of social, economic and environmental change, these entities cannot lose sight of their financial survival and internal organization, says the study.

# CIICY and governance

Ethos is in line with international trends in its quest for a management model meeting its needs. The Institute has been through three changes in organizational structure. In late 2007 the consulting firm of Pricewaterhouse Coopers was requested to review its statutes and governance model. The result was the February 2008 approval of updated versions of the statutes of both Ethos and UniEthos (see full text in www.ethos.org.br). These documents are fully in line with the Institute's Mission, Vision and Charter of Principles and make internal processes much clearer, as well as the roles of staff, Board and Councils.

The Institute participates in discussion groups bringing together OSCIPs and NGOs for the construction of management models compatible with third sector actuality.

#### THE MISSION'S GUARDIANS

In Ethos Institute's model of governance, the supreme body is the General Assembly. It is up to this body to elect the members of the Steering Committee, approve Ethos Institute's balances and statements of accounts, validate strategic planning and decide upon changes in the entity's social statutes.

# Just what is OSCIP?

A qualification or status granted by the Ministry of Justice since 1999. "Civil Society of Public Interest Organization" (OSCIP) is a title that can be obtained by non-profit organizations working on the promotion of collective and public objectives, and not their members' interests.

Among the requirements that must be complied with by organizations in order to obtain this qualification is the adoption of practices and administration management that are sufficient to restrain the obtaining, whether individual or collective, of personal benefits or advantages as a result of participation in the respective decisional processes. Another requirement is public access to the report on activities and statements of account. As a result of this stipulation, capital statements, minutes of Fiscal Council meetings and other certifications are available for consultation in Ethos' website. The Institute and UniEthos have undergone external audits since they were established, in 1998 and 2004 respectively.

The qualification bestows certain advantages on the organization, such as being able to receive donations from corporate entities which are deductible for Income Tax, and remunerating directors. Such remuneration is definitely the major innovation instituted by the OSCIP Law, which allows organization to choose whether or not to remunerate directors, which is forbidden by legislation governing the concession of other titles and that governing Income Tax exemptions.

To maintain the qualification, an OSCIP must account for its activities, annually, to the Ministry of Justice, by means of the National Register of Public Utility Entities (CNEs). Reports submitted by the organization are public and are available for consultation in the Ministry's website.



41) The Assembly and councils are made up of individuals recognized by society as valuing, practicing and influencing their networks of contacts with principles of Corporate Social Responsibility and sustainability, with the gift of inter-sector linkage and conduct compatible with the entity's principles and strategic vision.

Ever since the Institute was first established, Councilors have taken on the role of "guardians" to Ethos' Mission. Indeed, such is the essence of the Steering Committee's role, entrusted as it is with the task of watching over Ethos' Mission, Values and beliefs, analyzing the Board's activities, discussing planning and suggesting management practices. The Steering Committee is also responsible for electing the organization's board and the members of the Fiscal, Advisory and International Councils.

43 When recruiting new members for the Steering Committee, Ethos seeks leaders in the entrepreneurial sector who exercise a multiplying effect of CSR and sustainability principles among their respective contacts. Some of the criteria guiding the choice are that Councilors must be articulate, able to work collectively, possess strategic vision and demonstrate conduct compatible with the Institute's principles. Councilors are also expected to contribute with quality involvement and time availability to attend meetings and represent the Institute when so requested.

The Board (President and Vice-President) is chosen by the Steering Committee, who can select one of its own members to fill the position of President-Director. Directors are formally contracted by the Institute under the CLT regime (formal employment). The Board's main duties are to direct the entity's activities in accordance with the Council's guidelines, prepare Ethos' annual budget and planning, propose an organizational structure for the entity and set down guidelines for the team's activities.

Currently Ethos' organizational structure consists of three bodies advising the Board (Press, International Relations and Public Policy), which are responsible for supporting the organization's decision-making processes regarding strategic matters, and three Executive Managements (Communication & Mobilization, Development & Orientation and Institutional Operations), which are responsible for the execution of organization's activities and projects. This structure is the result of a change made in 2008, when the existing eight Management Bodies were pared down to three. The objective of this measure was to better the Institute's management, making for more agile decisionmaking and improvements in internal communication. The change contributed to reducing personnel costs.

46 An unusual feature of Ethos' governance model is the non-representation of Ethos' member-companies in decision-making bodies. "Ethos' nature defines its governance. Our proposal is to change companies' management processes, which doesn't mean representing them but does mean working with them," explains Paulo Itacarambi, the Institute's Vice-President. In other words, Ethos is not considered an entity representing companies, and its governance model reflects this, endeavoring to avoid the Institute's becoming an arena for disputes over power, and ensuring that action is in line with Ethos' original purpose when established.

With the change in statutes in early 2008, the roles of the General Assembly and the Steering Committee were brought into sharper focus. Additionally, the new statutes endeavor to stimulate turnover in Council membership by introducing three-year mandates, with councilors allowed to serve up to another two consecutive mandates. The objective is to add dynamism. "Our challenge is that in 10 or 20 years' time, even in the absence of the Institute's pioneers, for Ethos to maintain the same vigor and the same kind of leadership as in the past, so as to continue mobilizing society," hopes José Luciano Penido, CEO for VCP and Ethos councilor since 2003.

#### **GOVERNANCE** 41

BODY	N° OF MEMBERS	DURATION OF MANDATE	PERIODICITY OF MEETINGS p.a.	FEATURES
General Assembly	Undetermined	No mandate	1 ordinary meeting	Top governance body Approves Ethos Institute's annual balance & statement of accounts Decides on changes to Institute's Social Statutes Elects members of Steering Committee
Steering Committee	Up to 15	3 years, with another two consecutive mandates possible	4 ordinary meetings	Watches over Ethos' & UniEthos' Mission and their values     Elects Institute's Board Members & composition of the other Councils     Suggests management practices to Board     Approves Board-Members' remuneration     Sets up technical committees on strategic matters
Advisory Board	Up to 15	3 years, with another two consecutive mandates possible	Not set down in Statutes	Promotes technical, conceptual & political discussions contributing to new initiatives     Issues opinions on the technical viability of projects & their coherence relative to the Mission
Fiscal Council	3 titular members & 3 alternate members	3 years, with another two consecutive mandates possible	1 ordinary meeting	Guides Ethos Institute & UniEthos in fiscal & accounting matters Ensures compliance with tax & labor law Approves financial reports, annual balances & opinions of external auditors
International Advisory Board	Up to 30	3 years, with another two consecutive mandates possible	Not set down in statutes	Structures & supports Institute's insertion in international CSR movement     Gives opinion in suitability of activities in world context

#### THE CHALLENGE OF PARTICIPATING 44



"We need a model for dynamic governance that on the one hand stimulates the team's creativity and on the other ensures a hierarchical decision-making process to ensure integration of action," states Paulo Itacarambi. According to him, Ethos' participative process takes place during the planning and the execution of projects. "The team enjoys freedom and autonomy to make decisions about projects. However, strategic decisions are made by the Board and the Council. The general rule is for the free circulation of information, but decisions do depend on hierarchy," he explains.

With this structure, internal communications and the absence of formal channels for engagement are challenges we must face. "We find it hard to keep the team permanently up to date whilst maintaining the timing necessary for making important decisions", stresses Ethos'Vice-President. Another difficulty is the lack of systemization and control of work projects, the result of the lack of a documentation culture. "The main problem is memory - not only records, but the very access to what has already been done." It is key to uncouple people's processes and make records of them, so that they can enter the Institute's daily routine and be available to new staff members. To minimize dilemmas such as that posed

by the lack of alignment of strategic decisions, the main existing mechanism is to have a meeting with the teams, where we endeavor to exchange information among the different hierarchical spheres in the Institute. The three managers - Institutional Operations, Development & Orientation and Communication & Mobilization - have weekly meetings with their respective teams. Meetings of the Board with executive managers are also weekly. However, general meeting of the Board with the entire team take place, on average, once a month.

Ethos is developing instruments to enhance internal communications, such as intranet and a blog with documents and internal news, as well as evening meetings and monthly meetings of the Board with the entire team. The goal is the viability of a consistent communication channel to encourage greater integration of the team.

#### Current challenges

- To put consolidated management and governance models in place for the Institute
- To improve the team's internal communications and forms of engagement
- To expand the formalization of policies and processes



# A dilemma knocking on the door

Whenever an associate member appears on the pages of newspapers, accused of some irregular practice, Ethos is exposed to a yet-unresolved dilemma. One example is the incident involving Grupo J. Pessoa, one of our first member-companies. With a history of engagement in the CSR movement, this company was a pioneer in adhering to the National Pact for Eradication of Slave Labor and led the mobilization of the sugar and alcohol sector for action in the area of social responsibility. José Pessoa de Queiroz Bisneto, the president of the company, was on our Advisory Board.

As of 2003, the company was involved in a number of reports regarding the use of degrading labor practices, analogous to slavery, on its properties. These matters were widely reported in the media, which was pressing us to adopt a position. At the time of the first report, José Pessoa took the step of submitting to the Council, on his own initiative, explanatory information and an account of measures being adopted. When further reports appeared in 2007, José Pessoa was invited to explain matters, and he made a commitment to Ethos to put matters in order. A mobile Federal Government team confirmed the practice of bondage of workers through debt at Usina Agrisul, in Icém (Sao Paulo State). Grupo J. Pessoa was included in the Ministry of Labor's "dirty" list and therefore excluded from the National Pact for Eradication of Slave Labor. Ethos' Steering Committee then sent José Pessoa a letter informing him that, in accordance with the statutes, a process of enquiry for application of the punishment of exclusion had been initiated, and granting him a given time to present his defense. When he got the letter, the entrepreneur asked to be excluded from the Advisory Board,

and ended the company's membership of the Institute. When remarking on the process of termination of membership, Pessoa made this analysis: "We regret that Ethos was embarrassed by charges made by the press against one of its founders. I personally requested a meeting with the entity's leadership to clear up the facts, and I received no formal reply. Later, we got a letter saying that our expulsion from Ethos would be analyzed by the Council, and we had the right to defend ourselves. We considered this a form of judgment in advance, and we decided to request the termination of our membership." He says, "In this episode it is clear that the power of the press, taking into account only the version of the Mobile Group's inspection, damaged our image in society. We did not react fast enough, and Ethos lacked understanding of the operational mechanisms of a company in the sugar and alcohol sector, and our history of commitment to social responsibility."

This incident is but one example, among others, of a dilemma we have been facing over the years. How should we react to such reports involving our membercompanies? Should we exclude these companies from our ranks at once? In a situation such as this, is it right to ignore positive initiatives adopted earlier by the organization in question? Do we have the right to judge whether a company is unethical, or try to fathom its degree of commitment to corporate social responsibility? Ethos is still seeking answers to these questions. In 2003, when the Charter of Principles was approved, Ethos drafted a system of ethical relationship with member-companies, but was unable to put it in place. We are certain that today, we still do not have the formal instruments necessary to make such a decision quickly and efficiently.

#### **ETHICS COMMITTEE**

Ethos has relied on dialogue as an instrument for solving critical matters. However, dialogue alone is not always enough. We believe that setting up an Ethics Committee will contribute to solving the question. The Institute's proposal is for the Committee to function as a step to legitimatize decisions made by the Institute in cases of member-companies' non-compliance with the Charter of Principles (*see chart*). It will be made up of representatives of society, asked to serve on a voluntary basis, independently to Ethos. It is our goal to advance in this matter during 2009.

For example, it would be the Committee's duty to indicate to Ethos how to proceed in cases like that of J. Pessoa. It is not a matter of changing the roles of official bodies, but of adopting more consistent positions in the face of impasses of this nature. "We are aware that our decisions have an impact on the market, and we must therefore stand on clear principles and positioning objectives," argues Ethos' president Ricardo Young.

What to do when a member-company is involved in serious reports? How can we make urgent decisions that are well thought out and rest on solid foundations?

Member-companies could also resort to this instance of governance. "We believe that corporations will be increasingly questioned by society regarding their behavior. The Committee would be able to help them deal with their contradictions," claims Caio Magri, an advisor to Ethos on public policy.

### Charter of Principles 4

Launched in 2003, after a joint process of construction involving the different publics that Ethos relates to, the Charter of Principles is signed by every company associating with Ethos. The Charter formalizes a commitment to the principles defended in the document. We still lack instruments to watch over compliance with these guidelines. For this reason, the need for an Ethics Committee. The following are the Charter's principles:

#### **PRIMACY OF ETHICS**

The ethical principle of reciprocal respect for the rights of citizenship and the physical and moral integrity of persons constitutes the foundation guiding and substantiating our relationship with each and every person involved in and/or affected by our action.

#### **SOCIAL RESPONSIBILITY**

We recognize our responsibility for the results and impact of the action of our company on the natural and social environments affected by our entrepreneurial activity and we shall strive to make every effort to know about and comply with legislation and, voluntarily, exceed our duties in matters relevant to the welfare of the collectivity. We shall endeavor to develop and disseminate to all interested parties an active and continuous program of ethical betterment of our relations with persons and public or private entities involved in our action.

#### TRUST

Reciprocal trust between parties involved is a basic and fundamental value on which all our relations are based. The observance of commitments made and sincerity in taking on only those commitments that we are able to meet are conditions that may be demanded of us at any time and that we demand of others. We shall endeavor to identify, discuss and take action in situations, whether present or potential, that put the coherence and consistency of our principles and values at risk.

#### Dilemma

• How to deal with denunciations involving our member-companies?



#### INTEGRITY

We shall endeavor to carry out all our activities with integrity, fighting the use of influence trafficking and not offering or accepting bribes to or from any person or public or private entity; we shall seek to influence our suppliers, providers and partners so that they will also fight practices of corruption, in public and private spheres.

#### **VALUING DIVERSITY AND** FIGHTING DISCRIMINATION

We respect and value difference as a fundamental condition for the existence of an ethical relationship and the development of humanity. We shall endeavor to encourage the promotion of cultural, social and ethnic diversity as a positive differential in the development of our Mission. Under no pretext shall we tolerate discrimination.

#### **DIALOGUE WITH INTERESTED PARTIES**

We believe that dialogue is the only legitimate means for persuasion, overcoming differences and resolving conflicts. We shall endeavor to identify and attend to the legitimate interests of the different interested parties - whether persons, or groups of people and organizations affected by our action - equanimously, transparently and without subterfuge, ensuring truthfulness and objectivity of information.

#### TRANSPARENCY

We consider it indispensable for society to enjoy access to information on the ethical and responsible behavior of companies. We seek to make available, in satisfactory and accessible fashion, data and information allowing evaluation of the social and environmental contributions and impacts of our activities, while safequarding confidential information.

#### RESPONSIBLE MARKETING

We shall endeavor to guide our marketing and communication policy towards respect for the veracity, consistency and integrity of statements, reflecting our values and encouraging the public's ethical and responsible behavior.

#### **INTERDEPENDENCE**

We consider the success of our enterprise interdependent on the welfare of society. Healthy competition for business must promote social, economic and environmental sustainability.

#### **LEARNING COMMUNITY**

We are a part of a community in the process of learning and evolution, based on continuous improvement of companies' management practices and processes. To participate in Ethos Institute is to participate in this community.

### **Objective**

• To start the process of setting up the Ethics Committee in 2009

# The family silver

In 2006 Ethos Institute began to harvest the first results of its attempts to incorporate CSR in its own management. The first result arrived with the diagnosis stemming from internal application of Ethos Indicators, in 2006. Two other applications of Ethos Indicators had been carried out earlier. Establishing the Internal Social Responsibility Committee (ISR) in 2007 and the publication of this Sustainability Report are two other significant steps in Ethos' endeavors to bring discourse and practice together. Here are some details of the initiatives:

#### • ETHOS INDICATORS IN ETHOS AND UNIETHOS

All members of Ethos' and UniEthos' staffs were involved in filling in the Indicators. The diagnosis pointed out the critical factors and acted as a foundation for some targets and processes established for the three years 2007-2009. The results also affected the establishment of the ISR Committee in July 2007.

#### • ISR COMMITTEE

The Committee is made up of 12 members of staff from different areas in the Institute. Its aim is to turn integrated sustainability guidelines (*see box*) into concrete practices and policies. After internal consultation, matters of priority in the Committee's work were established. The

Ethos is investing in measures to structure sustainability management in its practices and thus incorporate internally what it proposes to the market

first concrete result was the revision of purchasing policy, which concluded in 2008. The objective for 2009 is to conclude the new policy for people management.

#### SUSTAINABILITY REPORT

Because this Report is a tool designed for transparency and communication – as opposed to Ethos Indicators which are a tool for self-diagnosis – we decided to use Global Reporting Initiative (GRI) guidelines to define the contents and principles of this publication. Ethos Indicators orient this Report's structure, divided up in accordance with the subjects enunciated by our tool, which ensures that all the matters and aspects we consider relevant to sustainable management are tackled.

From the very beginning, a transparent account of our action was the principal objective of this Report, which placed before us the dilemma of what GRI level to adopt. The processes of engaging our stakeholders and identifying material subjects (see further information on page 33) would qualify us to seek other levels of application (B or A). However, as this is our first Report and because we do not yet have systematized management processes in most areas, we decided on level C. Our aim is to make this first register into a diagnosis to help us advance progressively in the direction of level A, in a process of continuous learning.



### **Objective**

• To conclude the new policy for people management in 2009

### **Integrated Sustainability** Guidelines

Created in 2007, macro-guidelines orient Ethos Institute's and UniEthos' socially responsible management:

- 1. To act in accordance with Ethos' Charter of Principles, taking into account all the public commitments made and complying with legislation in force.
- 2. To invest in internal public so as to create a fair work environment, with standards of excellence in management of persons, health, safety, professional development and equilibrium of work and private life.
- 3. To ensure, by means of day-to-day practice, an atmosphere of respect for individuals' welfare.
- 4. To promote the diversity and equity of the internal public, suppliers and providers, partners, member-companies and society.
- 5. To guarantee the internal public alignment of their action and the cause of the movement in favor of social responsibility and sustainability.
- 6. To identify, assess and monitor their impacts, seeking continuous improvement of their processes, products and services and prioritizing the social and environmental dimensions, with economic efficiency.

- 7. To reinforce their transforming action and influence on the social responsibility movement in the face of new challenges, on the basis of respect for the ideas marking out their creation and history.
- 8. To promote innovating, transparent and participative planning, the execution of which will hold the premises of adequate use of available resources and commitment to results and accountability.
- 9. To set up and expand channels for dialogue with all interested parties and encourage their engagement.
- 10. To make a determined effort to identify and stimulate, in the market and in society, concrete alternatives for sustainable and innovative processes, products and services.
- 11. To set up partnerships and alliances with companies, public powers and civil society, in order to strengthen the commitment of all to sustainable development.
- 12. To convoke its member-companies and other leading companies in terms of social responsibility to put together an agenda for development.

# Time of trial

We consider the economic crisis which took hold in the second half 2008 a crisis of values, from which the sustainability movement will emerge strengthened. Our aim is to face it without dismissing any of our staff

12 Defenders of orthodox economic growth forecast that the economic turbulence that hit worldwide at the end of 2008 will damage sustainability. In the opinion of Ethos, this adverse juncture is an opportunity to strengthen the concept of sustainable development and lend it credibility. It is a purifying crisis, which is going to show who is who, that is not in fact committed to the path of sustainability. "It's the end of the neo-liberal vision that there can be capitalistic accumulation with no redistribution of income and no regulation of the market, and that current production and consumption patterns will carry on forever," is Ricardo Young's assessment. "This is a crisis of civilizatory patterns, and there can be no change of this nature without suffering. The challenge is to make this journey with a minimum of pain," concludes Ethos' President.

#### **INTERNAL MEASURES**

Internally, in order to face this time of transition, the Institute is cutting expenses and mulling over new strategies for attracting resources. The aim is to honor all financial commitments while avoiding dismissals brought about by the crisis.

Ethos' activities are financed mainly by contributions from member-companies, but sponsorship, registration fees for the International Conference and agreements arrived at with national and internatio-

nal entities are also important sources of income. In 2008 Ethos' realized revenue was approximately R\$ 11 million. In UniEthos' case, resources stem from payment for training and advisory services, and the adhesion of members to work groups. UniEthos' revenue was R\$ 4 million (see chart).

Ever since the beginning of its activities, its own financial sustainability has been one of Ethos' concerns. On the one hand it does not resort to the market in search of financing, and on the other, the internal policy of only accepting the sponsorship of member-companies limits sources of income. As of 2004 the Institute made a decision to invest in setting up UniEthos, making a contribution to the new entity, partly in the form of donation and partly in the form of a mutual – a technical term used in accounting to characterize a loan made by one non-financial entity to another, as is the case of Ethos and UniEthos. As a result of this transaction, Ethos' financial reserves diminished, which caused the Institute to register a deficit in its capital balance for the first time ever, at the end of 2004.

In 2005 Ethos and UniEthos went through a phase deemed risky, as it was by no means certain that they would be able to attract the resources needed to cover expenses for the period. This situation led to Ethos' and UniEthos' sharing their administration management (see information on page 13).



As of 2007, with the objective of recovering its financial health, the Institute went back to a more conservative policy in terms of financial management, endeavoring to recover reserves, keeping staff down to a balanced number and avoiding projects where financing was not guaranteed, or depended on the Institute's funds. "For us, the ideal financial situation is to have a contingency reserve, that is, a conservative investment (such as a savings account) with sufficient resources for six months' payroll and for the maintenance of administrative expenses for the same period," explains Ricardo Young. "No crisis is resolved in six months, but in this period we were able to get an idea of the size of the problem, to cover expenses without dismissing members of staff," he states. In 2008 the reserve started to be built up again to this end.

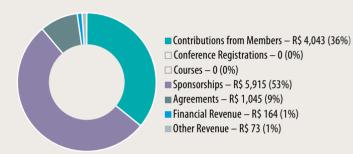
VAS – ETHOS AND UNIETHOS [61] Value Added Statements (in R\$ thousand)

	ET	ETHOS		UNIETHOS	
DESCRIPTION	2007	2008	2007	2008	
1 - REVENUES	9,533	11,076	3,433	4,058	
1.1 Contribution from Members	3,598	4,043	-	-	
1.2 Sponsorships and Agreements	5,904	7,033	933	1,363	
1.3 Enrolments, Courses	31	-	2,500	2,695	
2 - ACQUIRED CONSUMABLES FROM THIRD PARTIES	3,953	4,918	2,064	2,850	
2.1 Cost of activities with projects	3,953	4,918	2,064	2,850	
3 - GROSS VALUE ADDED	5,579	6,157	1,369	1,208	
4 - RETAINED	197	181	112	112	
4.1 Depreciation, amortization and depletion	197	181	112	112	
5 - NET VALUE ADDED PRODUCED BY THE ENTITY	5,382	5,976	1,257	1,096	
6 - ADDED VALUE RECEIVED FROM TRANSFER	110	164	48	3	
6.1 Financial Income	110	164	48	3	
7 - TOTAL VALUE ADDED TO BE DISTRIBUTED	5,492	6,140	1,305	1,099	
8 - ADDED VALUE DISTRIBUTED	5,492	6,140	1,305	1,099	
8.1 Employees	5,411	5,435	784	775	
8.2 Taxes	307	196	469	429	
8.3 Result for the Year	(226)	509	53	(105)	

# Distribution of resources

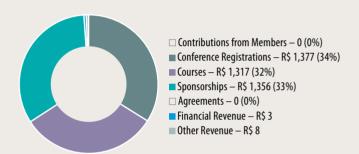
Ethos' Revenues 2008 (in R\$ thousand)\*

Total: R\$ 11.239



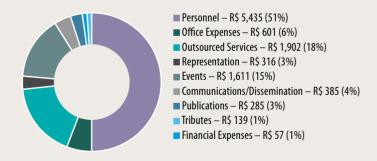
UniEthos' Revenues 2008 (in R\$ thousand)\*

Total: R\$ 4,061

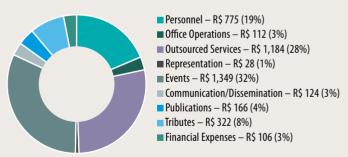


Ethos' Expenses 2008 (in R\$ thousand)

Total: R\$ 10,730



UniEthos' Expenses 2008 (in R\$ thousand) *Total: R\$ 4,167* 



<sup>(\*)</sup> Ethos' revenues and UniEthos' revenues, except VAS, take into account financial revenues.

# ngagement of

Difficulty in putting expressions that have become jargon in the language of sustainability into concrete action is not limited to companies. Ethos has its own challenges to overcome in connection to "engagement of stakeholders"

# From concept to practice

What is a stakeholder? What publics recognize themselves in the content of this expression? For Ethos – as for all those involved in the corporate responsibility movement - "engagement of stakeholders" is a usual term, part of one's day-to-day vocabulary. For those who do not share these codes, however, it is just one more theoretical definition that makes comprehension of what sustainability is even more remote. If the first difficulties are already apparent in understanding jargon, how to engage the different publics so that they involve themselves in building up effective practices on the road to sustainability?

Ethos' challenge is to help reduce the remoteness and expand comprehension, on the part of the different publics, of what sustainability actually is and, even more importantly, of what the expression covers. When we refer to a stakeholder, we are talking about any individual or group that may affect a given organization through their opinions or action, or be affected by the organization, by means of the company's actions, products and practices. In its work with member-companies, the Institute endeavors to make them aware of the importance of their approaching their respective strategic publics (thus engaging their stakeholders). It is these publics, whether consumers, employees, neighbors, credit agents, suppliers or providers, shareholders, among others, that legitimate an organization's activities – this is what we call "social license". The case of Nike is a classic example of a corporation on the brink of losing its social license to operate, after being accused in 1998 of using child labor to make shoes in Asia. After changing its posture, becoming more transparent and putting social responsibility into practice, Nike managed to stay in the market.

4.16 At Ethos, the engagement of stakeholders regulates the Institute's action, and it is a constant concern in order to guide the planning of events, projects and programs organized by the entity. By means of projects it has proved possible to mobilize member-companies, public bodies and other non-governmental organizations. In its everyday action, the Institute seeks the involvement

# ers

of interest groups such as employees, suppliers, providers and clients of UniEthos' in its decisions.

In 2006, for example, Ethos' process of construction of strategic planning for the three years 2007-2009 involved consulting the interested parties by means of 12 meetings with different publics, such as Council members, team members, instructors and partners. Stakeholders must also be heard out when preparing proposals for a sustainable society. At the 2008 International Conference, proposals were gathered for companies to participate actively in the construction of a socially responsible market and society. Divided into three areas - market self-regulation and practices, government regulation and government action – proposals were made available for public consultation and new suggestions from any interested party were requested. This process continued in 2008. A total 264 proposals were gathered at meetings in eight states - Paraná, Amazonas, Espírito Santo, Rio de Janeiro, Bahia, Goiás, Pernambuco and Minas Gerais. In all, 407 people participated.

Networking has contributed to Ethos' spreading its action all over Brazil. In this manner the Institute has managed to extend the scene for exchanges beyond presential meetings promoted during Conferences and meetings of the Corporate Network for Sustainability. In this direction, the Institute has invested in setting up an online platform for relationship and the virtual construction of references to CSR and sustainability. The



# engagement of stakeholders



In 2008 Ethos-Valor Award organized a seminar to discuss education for sustainability.

objective is to widen and strengthen the CSR movement in Brazil by means of networks and existing groups among publics such as companies and entrepreneurial entities, journalists, finalists at the Ethos-Valor Award and university professors.

#### **ENTREPRENEURIAL CONNECTION**

Through the Corporate Network for Sustainability, in 2008 Ethos organized 102 presential events for mobilization in the Federal District and eight Brazilian states: Sao Paulo, Bahia, Espírito Santo, Goiás, Minas Gerais, Pernambuco, Rio de Janeiro and Paraná. "The Network represents our determination to spread the sustainability movement all over Brazil. In 2001 member-companies outside Sao Paulo accounted for 18% of our membership. Today, the figure is 46%," says Solange Rubio, the coordinator of the Entrepreneurial Network (see chart on page 57).

Activities carried out by the program enjoy contributions from partner entrepreneurial entities and local agents (individuals responsible for relations between Ethos and entrepreneurs in the region). These individuals are employees of member-companies, elected by participants in presential gatherings taking place in their respective states. The work is on a voluntary basis and requires the authorization of the company's president, who makes employee concerned available. In order to avoid conflicts of interest, consultants are not allowed to fill this position.

#### **OPINION LEADERS**

Together with Ethos Journalist Network, set up in 2000, we endeavor to train professionals from communication vehicles on the subject of sustainability. "The press is a strategic public because of its credibility and the influence it has on the behavior of companies and society," explains Network coordinator Patricia Saito.

Journalists are mobilized by means of an exclusive access area in the Institute's website, as well as by training seminars, publications and specific debates during Ethos' International Conference. At the end of 2008 the Network boasted 1,574 members and an 11-strong consultation committee. In partnership with survey and poll-taking concerns, research has been ongoing since 2002, making it possible to outline a profile of participants and disseminate the Network's impressions and expectations in connection with action undertaken.

Work with the media also encompasses debate on the management of communication companies. Since 2007, meetings have been held with vehicle directors from all over Brazil to discuss how best to improve journalistic coverage of CSR and sustainability and how to incorporate these values into the management of the communication enterprises themselves, which led to an agreement with the National Association of Newspapers (ANJ) on indicators for journalistic companies.

There is also the annual Ethos Journalism Award, which recognizes the best pieces produced in the country on sustainability-related matters. The subject is chosen on the basis of current debate relevant to the advance of the CSR movement: examples are Millennium Goals (2005) and Sustainability in Business Management (2007). In 2008, with the aim of recognizing consistency in coverage over the years, participation considered the body of work in coverage of CSR. Therefore 28 journalists who had won the seven previous editions of the award competed, distributed into different categories: radio, magazines, newspapers, photography, internet and television. We have worked to raise the media's awareness of the importance of making sustainability a crosscurrent not restricted to a single publisher.

#### **ETHOS AND ACADEMY**

Certain characteristics are similar in the relationship with journalists and that with university professors and students. The latter also recognizes and rewards academic work on the question of sustainable development in companies. The Ethos-Valor Award was set up in 2000 in partnership with the newspaper Valor Econômico. The objective was, precisely, to foster academic production on the subject, so far incipient. "The award helped raise the subject of corporate social responsibility in academic debate. However, there is still a lot to be done. Thus, in addition to the Award, other action is being developed for the inclusion of the subject of sustainability in university formation," says Luciana Aguiar, coordinator of the area of relations with academia.

In addition to the Award, Ethos is developing three actions to support research: the best papers submitted for the Award are published; there is a part of the Institute's website that functions as a center for support of research, and there is a nucleus for attention via email to the requirements of university professors and students. Action for mobilization is also present, in the form of lectures - on average some 30 a year - and also through partnership with organizations such as Aiesec, a global network focusing on the formation of leaders in the university environment.

centro de apoio/centro\_de\_apoio\_ a\_pesquisa.aspx

http://www1.ethos.

org.br/EthosWeb/ pt/1385/aprenda mais/

http://www.aiesec.org.br

Every year, finalists in the respective edition of the Ethos-Valor Award are invited to join researchers who were finalists in previous years, in the group of multipliers. With some 50 members today, the group is invited to give lectures on the subjects of sustainability and CSR, and support Ethos in engaging the academic public. The objectives for 2009 are to set up a specific network for university teachers and structure the network of multipliers so that it will function as an effective venue for integration and debate.

#### Aims

- To set up an online tool for interaction of mobilization networks
- *To integrate the different networks* (entrepreneurs, journalists and academic public)

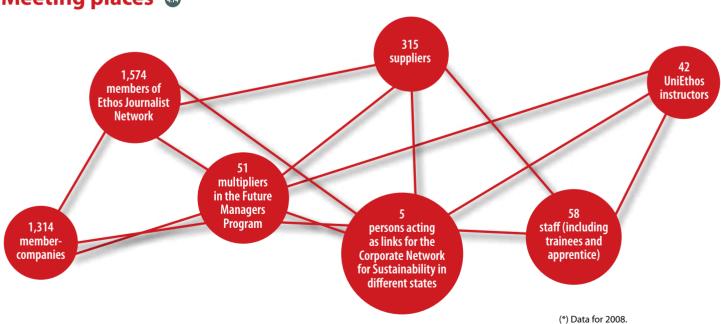
# engagement of stakeholders

### The web's challenges

Efforts to mobilize our stakeholders come up against a number of difficulties, the chief of which is the lack of systematic channels for engaging our different publics, a problem we intend to overcome in 2009.

One of our main objectives is to set up a communication area, a task that started in 2008 with the restructuring of our website. The aim is to improve communication channels with our member-companies, providing a more systematic environment for dialogue and exchanging experiences. Action envisioned includes annual planning of institutional campaigns in the media and establishing a partnership with an advertising agency that, on a voluntary basis, will create a campaign for the diffusion of our work. Another challenge for 2009 is the absence of an online tool for communication and engagement with networks. We consider virtual instruments strategic. For 2009 a new system of information technology is being adapted to foster network tasks, thus improving means for exchanges between participants in the same group as well as connections between different networks (entrepreneurs, journalists and the academic public). Thus, it will become possible to enhance mobilization processes, rationalize the use of time and the team's resources and diversify the focus of action taken all over Brazil.

# Meeting places\* 49



# Accountability •

In a room in Ethos Institute's Sao Paulo office, 28 guests listen carefully to the interlocutor's explanation of the objective for that morning's work. Divided into five groups, they are given their first orientation: over the next few hours they are to talk with the other people at the table to identify what matters the group wants explained in Ethos Institute's and UniEthos' 2008 Sustainability Report, the first in the organizations' history.

After the explanation given by the consulting firm hired to facilitate the process, one of the guests asks to speak. "Will we get concrete feedback from Ethos? Will stakeholders really be heard out? Exactly why are we here?" There is a brief silence. Someone from Ethos replies, "Yes, the feedback will be in the Report." Work begins. Some members of the group from Ethos, who are responsible for the internal management of this publication, glance at each other and smile slightly. The critical stance reflected in the participant's questioning attitude has made them certain the Institute invited the right people for its panel of external stakeholders.

The debate taking place that morning of November 26, 2008 was but one of several stages leading to this Report. During the entire process we endeavored to hear out our stakeholders on their expectations regarding the document and their perception of the Institute. The criticism and opinions of external and internal publics were taken into account during the process of drafting this Report, so that the document would incorporate the expected responses. The objective was to turn this publication into a reference in terms of transparency and balance in the process of reporting. We have thus endeavored to explain both our successes and our contradictions.

The production process for this Sustainability Report focused on engaging stakeholders and a transparent and balanced account of triumphs and dilemmas

#### **MATERIAL TOPICS**

The process of engagement commenced in September 2008, when topics considered material by the internal public were brought up during a meeting of the entire team. On that same occasion, with the support of an external consulting firm, Ethos' team put together a grid for identification and prioritization of the stakeholders most impacting the Institute's work (see map below).

It was thus that Ethos identified and invited the participants at that meeting on external materiality, held on November 26. Besides the presential consultation of 28 guests, questionnaires were e-mailed to a further 15 people who were unable to make it to the debate, including members of Ethos' International Council.

The materiality matrix was consolidated taking into account results obtained from the internal and external panels. Subjects considered of high, medium or low materiality were identified (see chart). This task also showed Ethos what GRI indicators for economic, social and environmental performance should be replied to. We filled in a total of 25 of the 79 core and additional performance indicators proposed by GRI. Some were not answered for the lack of a systematized data collection system, pointing at an opportunity for improvement for our management. The choice of indicators was agreed to by the entire team.

Concept definition (source: Critical friends, by AccountAbility and Utopies): "Meeting with stakeholders" representatives, invited by the company to examine one or more aspects of its policies, processes, actions or performance, and contribute to the purpose with suggestions and recommendations that will be duly considered by the company and perhaps incorporated in its decisionmaking process.

## **Prioritization of** Ethos/UniEthos' stakeholders 49

#### HIGH

Non-member companies in the top 1,000 Companies that were formerly members Opinion leaders on the subject\* Vehicles for general communication **Press Advisors** 

Teachers

Regulatory Gov't. bodies Building (Ethos' office)

#### STAKEHOLDER'S **IMPACT**

#### **KEEP SATISFIED/INFORM**

#### **OBSERVE/ENGAGE CASUALLY**

Sporadic suppliers and those without contracts

**University Heads** 

Students

Teaching Establishments / Students' Associations

Pinheiros district

Sao Paulo City (public power)

National and int'l. organizations with interests in

common but are not partners

Unaligned national and int'l. organizations

Employees with contract det. / indet. time

Consultants (Ethos / UniEthos / Projects)

Conference suppliers

Recurring suppliers

Suppliers with contracts

Member-companies

Linkage agents

Sponsoring companies

Companies participating in projects

Steering and Fiscal Councils

International Advisory Board

Journalists (Network & specific publishers)

**Ethos-Valor Award multipliers** 

Gov't. bodies in partnership or joint action

Other financers — national & international

Competitors – consulting firms & other organizations

UniEthos instructor network

Int'l. organizations in partnership or joint action

National organizations in partnership or joint action

#### **KEY AGENT/HIGH ENGAGEMENT**

#### **KEEP INFORMED/ENGAGE**

**Apprentices** 

Temps

Interns

Outsourced

Clients - Individuals

**IMPACT ON STAKEHOLDER** 

HIGH

#### **GATHERING INFORMATION**

After selecting the indicators to be replied to, the process of obtaining information started. Those responsible for replies to indicators were trained by the company hired to draft this Report. Additionally, 78 people were interviewed – 29 Institute employees and 49 external sources indicated by Ethos. Among them there were councilors, ex-employees, suppliers and providers, member-companies, partner-organizations and public bodies (see list of interviewees on page 84).

#### **PRESENTATION OF RESULTS**

In the final phase of this Report, we presented general results to a group of specialists, who issued external opinions about the contents of this publication (see full version starting on page 78). After this Report comes out, we intend to have meetings with our stakeholders for reflection on the contents of this publication and to start preparing for the next. This Report, which has been prepared in accordance with GRI guidelines, is a pioneer among non-governmental organizations in Brazil.

### Indicators in materiality grid 49

Subjects	Classification	Relations with partners	
Accountability	Classification	Eradiction of child labor	
		Environmental impact	
Transparency Governance		Remuneration & career	
		Report on activities	HIGH
Sponsorship		Human rights policies	
Engagement		Turnover	
Participation in government		Management of knowledge	
Adhesion of members		Assessment criteria	
Participative management		Marketing	
Strategic planning		Policies for assessing human rights	
Linkage of partnerships		Policies for partnership	
Risk management		UniEthos Instructors	
Financing		Privacy policy	
Public policies		Journalists	
Conformity with the law	HIGH	Purchases	MEDIUM
Satisfaction		Risk management	
Climate management		Work conditions	
Salaries		Emission reduction	
Programs & projects		Consumption of materials	
Diversity		-	
Action in human rights		Local suppliers	
Suppliers		Waste	
Financial resources		Climate change	
Network of linking agents		Academia	LOW
Abolition of slave labor		Energy consumption	LOW
Professional development		Environmental impact of premises	
Charter of Principles		Indirect economic impact	
Recruitment of member-companies		Water consumption	
Conduct code		Community	

# internal ublic

The process of revision of People Management Policy started in 2008. This will show more concrete results as of 2009

# People management

Launched in 2008, this research was carried out by IBGE (Brazilian Institute of Geography and Statistics) in partnership with IPEA (Institute for Applied Economic Research), ABONG (Brazilian Association of Non-Governmental Organizations) and GIFE (Group of Institutes, Foundations & Enterprises) on the basis of data from CEMPRE (Central Registry of Companies).

A convention established by Senalba (Sao Paulo State Union of Employees of Cultural, Recreational, Social Assistance and Orientation and Professional Formation **Entities) and Sindelivre** (Sao Paulo State Association of Cultural, Recreational, Social Assistance and Orientation and Professional Formation Entities).

When Ethos was born in 1998, it had a staff of only seven. Today we have 58 (including employees, trainees and the apprentice). At first, human resources matters were dealt with on the basis of CLT rules (labor law). and benefits were added progressively as the Institute's finances allowed. In 2002 salary policy guidelines were established by the Steering Committee and Ethos' first administrative policy was put in place. In 2004 a program for management by competence was put together and started to be implemented, although this process has not yet concluded. There was no professional in charge of people management. Today, the situation is quite different. To accompany the Institute's organic growth, in 2006 Ethos invested in hiring a specialist, as well as structuring policy for people management.

In 2008 the policy – which was put together in 2002 but had still not been fully implemented - start-

ed to be revised. The first results are expected to become apparent as early as 2009. "Currently we need to formalize what was already practiced into a structured policy," stresses Emilio Martos, Ethos' manager of Institutional Operations.

Ever since Ethos was established, all the Institute's employees have been hired under the CLT regime. This practice is unusual in the sector of non-profit entities, as shown in the survey "Non-Profit Private Foundations and Associations in Brazil (FASFIL)". According to this research, of 338 entities employing 1.7 million people, 79.5% do not even offer formal employment. At Ethos, employees receive food tickets for a value five times greater than that established by the Collective Labor Convention. Furthermore, there are extra benefits, such as group life insurance and comprehensive health insurance which is granted to all, independently to their position.

ES The Institute's smallest remuneration – not taking into account trainees and the apprentice who get grants - is 2.2 times greater than that set down in collective convention. The highest salary is 14 times greater than the lowest remuneration (considering employees alone).



Since Ethos was established, all the Institute's employees have been hired under the CLT regime

#### Average salary by position and gender (A) (A)

Position	Number of employees		Average value of gross salary	Difference in salary according to gender
	Men	Women		
Helper	0	7	1,466.43	-
Assistant	3	8	2,279.96	15.44% greater for men
Coordinator	7*	20	5,902.30	1.8% greater for men
Management	3**	1	12,452.75	25.80% greater for men
Board	2	0	20,486.00	-

<sup>(\*)</sup> Includes two advisors working as coordinators. (\*\*) Includes one advisor working as manager.

#### **Grant/Salary of Trainees & Apprentices**

Position	Number of	employees	Daily workload	Grant
	Men	Women		
Trainee	0	6	6 hours	R\$ 720.00
Apprentice	1	0	6 hours	R\$ 450.00



Concept definition "diversity" (source: Ethos Indicators Glossary): "A basic principle of citizenship that seeks to ensure everyone conditions for full development of their talents and potential, taking into account the quest for equal opportunity and respect for the dignity of all persons. The practice of diversity means rendering effective the right to difference, creating conditions and environments where they can act in conformity with their individual values".

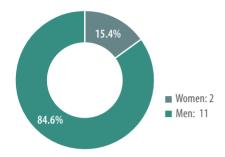
#### **DIVERSITY: A DILEMMA**

Although Ethos' workforce is made up mostly of women (72.4% in December 2008), men's preponderance and the lack of diversity in top positions pose a dilemma. There is only one woman in Management and the Board, who was hired in 2008 with the purpose of increasing gender diversity in Management. In the case of the Steering Committee, for example, only 15.4% of the councilors are women (see chart).

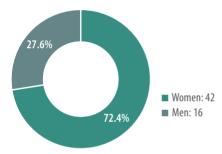
The Institute is active in the promotion of diversity in the marketplace, but internally it promotes diversity to a lesser extent than we would like. It is still a challenge to increase the number of women in Management, Board and Council positions.

This is also true of racial diversity. Of the total internal public, 75.9% are white (see graph below). There is one person with physical disability in the team.

#### Composition of the Steering Committee by gender (AI3)



#### **Composition of internal** public\* by gender



(\*) Includes employees, trainees and the apprentice.

#### Distribution of Internal Public\* by ethnic group

	Women	Men	Total
White	32 (72.7%)	12 (27.3%)	44 (75.9%)
Black and mulatto	3 (50%)	3 (50%)	6 (10.3%)
Indigenous	4 (80%)	1 (20%)	5 (8.6%)
Yellow	2 (100%)	0 (0%)	2 (3.4%)
Not declared	1 (100%)	0 (0%)	1 (1.7%)

(\*) Includes employees, trainees and the apprentice.

#### Turnover – Ethos and UniEthos (M)



	2006		2007		2008		Total in 3 years	Average over 3 years			
	Ethos	UniEthos	Total	Ethos	UniEthos	Total	Ethos	UniEthos	Total		
Hirings	9	3	12	8	0	8	9	0	9	29	9,7
Contract Rescissions	6	0	6	7	2	9	11	0	11	26	8,7

#### **HIRING AND TURNOVER**

Ethos endeavors to carry out its hiring processes in a judicious manner. "First the internal public is informed about the vacancy. If it is not filled by an internal candidate, it is divulged externally. All résumés received are read, and we get back to all candidates coming to an interview," explains Daniella Bellini, Ethos' coordinator for people management. "When the time comes to make a choice we do not take into account what teaching establishment the candidate attended, or gender, ethnic group, geographical origin, religion, sexual preference or social class. Everyone is welcome. This practice will be formalized in people management policy," she stresses.

In cases of dismissals, special interviews are held. The whole process is carried forward so as to avoid exposure of the person in question. This rigor is the result of lessons learnt. In 2005, downsizing resulting from the strategic decision for Ethos and UniEthos to share administration management was not properly communicated or explained to the team, causing dissatisfaction of the people involved and a general perception that the process lacked transparency. Although it was a special situation, the episode made it clear that investment in the people-management area was needed.

Still on the subject of dismissals, our turnover rate is 22%, taking 51 employees into account (but not the trainees and the apprentice). In 2008 there were 11 contract rescissions. Earlier rates were 12% in 2006 and 15.80% in 2007 (see chart). Everyone concerned was offered the option of a three-month extension to their health insurance after their departure, by reimbursing the organization.

#### **RESPECT FOR THE INDIVIDUAL**

One of Ethos' concerns in connection with its employees' quality of life involves the matter of the hours' bank. In order to face the great volume of overtime accumulated by the team – a result of workload, the complexity of projects in hand and the reduced size of the team – as of 2008 it was made necessary to obtain managers' prior authorization to work after hours. Other measures had been adopted earlier – including a reduction in the number of projects carried forward by the Institute, and having employees' immediate superiors watch over their workloads. Today, the professionals write reports on overtime and decide jointly with their respective managers about compensation.

Ethos believes that quality of life is also enhanced by encouraging employees to spend more time with their families. "Children are our priority. In cases of maternity, besides complying with labor law, we give people options so that their leave and return to work are as relaxed as possible," says Daniella Bellini. According to her, Ethos makes working hours and place of work as flexible as possible, in addition to offering six-month maternity leave even though there is no fiscal Income Tax benefit stemming from this practice.

Every case is negotiated individually, endeavoring to put together the needs of the women concerned and those of the Institute. One opportunity for improvement already identified is family integration in Ethos' institutional events. The first step in this direction was taken in 2008, when employees' relations were invited to parties celebrating Ethos' 10th anniversary and the end of the year. We intend to expand this integration.

Concept definition (source: Dieese):
"The ratio of people replaced to the average number of workers. It is the ratio for the minimum between hirings and dismissals and the average number of people occupied in the reference month".



Also last year, in an investment in the team's health and work conditions, an instructor was hired to come to Ethos' office twice a week to give gym classes during work hours. Cases of sickness - or even difficult personal times – are handled with particular attention and discretion. Support is offered by making work hours flexible or even granting time off to take care of personal problems. "We endeavor to go beyond the professional relationship and contemplate personal relationships. We try to see the individual, not just the employee," says Ethos' coordinator for people management.

#### INCENTIVE FOR GROWTH (A1)



With the objective of fostering the team's professional qualifications and employability, funds are made available every year for the development of each and every employee. The sum involved is up to R\$ 3,150.00 for helpers, assistants and coordinators and up to R\$ 4,000.00 for positions in Management and on the Board. These funds can be invested in courses contributing to the employee's professional evolution, in accordance with criteria previously set out by the Institute.

In early 2008, in view of the budgetary difficulties we were experiencing, funds were limited to regular courses or upper education, to avoid interruption. The situation was returned to normal in the second half of 2008 with the reincorporation of other kinds of courses and training. Last year a total of R\$ 83,935.75 was invested in the program for professional develop-

ment, involving 57 people. "In my case the funds for development helped enormously to make it possible for me to get my degree in Business Administration at a private university," says Raquel Almeida, an administration assistant at Ethos.

Institute employees are also allowed to participate in open courses and training run by UniEthos. In 2008, 18 employees took part in these activities, equivalent to a R\$ 40,250.00 investment. Additionally, employees did courses abroad. In 2008 two employees specialized in Global Governance in Germany, thanks to a partnership between Ethos, Inwent and the German government. During their six-month stay in Europe, the two employees continued to collect their full salaries and benefits.

Another form of employee development is stimulating internal professional promotion. Of the present payroll, 55% of the employees have been promoted within the Institute. Ivonete Epfanio da Silva, for instance, made the best of the opportunity. She started to work in Ethos in 2003 as an outsourced cleaner. The following year she was hired to perform the same tasks as an employee of the Institute's. In 2008 she became a receptionist. "This year I intend to do open courses to understand clearly what social responsibility is all about. I think it's important to know what Ethos does. Besides this, I attend secretarial vocational college and intend to use my funding to do a course in English or Spanish," she plans.

### "Ethos is a fantastic hothouse for the formation of ranks for the question of sustainability"

Ricardo Young, president of Ethos Institute

#### A SETTING FOR FORMATION

"Ethos is a fantastic hothouse for the formation of ranks for the question of sustainability," is Ricardo Young's definition. Ethos' President's statement is confirmed on observing the professional trajectories of people who have been in the Institute and now have other positions in the job market. Of the seven former employees heard out for this Report, six are still working for the "cause" – even those who were not formerly involved in the subject.

From 2004 to 2005, Deives Rezende set aside 26 years' experience in the financial market to work in Ethos as manager of corporate relations. He now works in Unibanco's compliance and risk area, and is a volunteer member of Unibanco Institute and a member of the financial entity's Sustainability Committee. Deives is still invited to give internal lectures in the company nowadays, as well as in academic circles, due to his knowledge about CSR which, according to him, he acquired during his time with Ethos.

Whenever possible, the Institute tries to keep in touch with former employees. Carmen Weingrill, for instance, was an Ethos team-member from 2002 to 2005. Later, in partnership with the Institute, she organized the Brazilian contribution to the G3 version of GRI.

"It was an excellent experience in sharing and militancy in a dynamic environment. Publications were the result of collective construction, dialogue and consensus among professionals with very different profiles", she recalls. Carmen currently teaches GRI courses for Aberie (Brazilian Association of Corporate Communication).

Bringing together professionals with different profiles is one reason why discussions promoted by the team are so rich. Despite their differences, there is always one element common to all the professionals: critical spirit. This stems partly from the very nature of the task. At Ethos, what we field is willingness to contribute to social transformation, which requires a specific profile. "People who work for Ethos identify with what's best in terms of values. They identify with the wish to change the world," is Young's evaluation. "At Ethos we are free to question all sorts of things, which is sometimes more important than having the answers. Utopia is indeed possible here," states João Gilberto Azevedo, executive manager for Development and Orientation.

This critical view on the part of employees is not limited to critical analysis of social actuality. The Institute itself is constantly questioned by the team. "Our internal public is highly critical. Therefore, their expectations are high. Dissatisfaction is a sign of creative capacity. This restlessness, this capacity for innovation, this motivation to make things different, even internally: these are our greatest riches", says Young.

# Supplers

*En 2008, the new policy for purchases and services* introduced by Ethos established clear and objective factors when signing contracts, an essential step in the alignment of internal practices and values of corporate social responsibility

# **Controlled** origin

One of Ethos' main triumphs in 2008 in terms of formalizing its CSR work was an overhaul of its procurement and service policy. This was one of the first practical results of the action of the Committee for Internal Social Responsibility. The document sets out objective criteria for the acquisition of goods and services. "Clear rules and procedures are better for the suppliers themselves", says Knet company director Walter Karl, who has been responsible for Ethos' technology area since the Institute was first established.

Concept definition (source: Ministry of Labor & Employment): "Register of Employers who use slave labor, compiled by the Ministry of Labor & Employment".

The new policy calls for quotations from at least three companies for every purchase or contract for services. It is compulsory for the supplier to comply with the law, not be in the "dirty list" for work analogous to slavery and agree to meet commitments in the contract, especially in connection with the clause guaranteeing decent jobs in the company's value chain. A number of documents have been demanded since 2007. All the data furnished is checked with Federal Revenue and

competent authorities in Sao Paulo city hall and Sao Paulo state. This has increased security in an area where Ethos was formerly vulnerable.

Among selection criteria set out by the new policy, it is desirable that the companies concerned respond to Ethos Indicators, be committed to CSR practices, meet lead times and deadlines and quality and price definitions, and be signatories of the Business Pact for Integrity and against Corruption and the National Pact for Eradication of Slave Labor. Guidelines for choice of supplier stress fair price rather than low price. Matters such as costbenefit and prompt delivery are also taken into account.

#### POLICY FOR SUPPLIERS

Now the challenge is to ensure that these rules are well-known and complied with by the entire team. Since the new policy was put in place, the incorporation of its guidelines into day-to-day practice at the Institute has been a joint effort. "Our target for 2009 is to design and implement a specific policy to guide the development of our work with suppliers and providers, with its central focus on their respective value chains. We see our suppliers as strategic partners in the dissemination of CSR,



especially because of their access to small companies", states Cláudio dos Santos, the coordinator responsible for relations with Ethos' suppliers. So far, engagement has only occurred in specific cases.

A specific policy for this public will help Ethos to watch over suppliers' CSR practices more effectively. The Institute's annual contracts include clauses committing suppliers to relinquish any relationship with child labor, forced labor, or labor analogous to slavery in their respective value chains. At present this premise is not an absolute guarantee because of the lack of ways to monitor practices – a matter that the policy aims to address. Another challenge will be to establish policies supporting cooperatives and companies in line with the concepts of Fair Trade.

With the objective of enhancing the management of acquisitions of goods and services internally, the Institute will initiate the process of establishing yearly contracts with its main suppliers. For this it is necessary to design an annual calendar of events and redesign the internal process for contracts so as to allow all the areas involved more comfortable deadlines. This calendar will also allow Ethos' and UniEthos' service orders for the same provider to be unified.

#### FROM THEORY TO PRACTICE

In 2008 the process for procurement of goods and services was already taking rules in the new policy into account, which aim at systematizing earlier efforts – even if they were specific for certain cases – to plan the selection of Ethos' suppliers on the basis of sustainability criteria. An example of these earlier attempts was the January 2007 contract with a company called RL Hygiene Systems, to replace the former provider. To Ethos the change meant a reduction in the consumption of chemical products, a reduction in the amount of solid residue produced and greater alignment with the Institute's environmental concerns.

The selection of a stationery supplier for UniEthos' courses also sought out alternatives with socially responsible products. Nametags and envelopes are manufactured by a company that uses recycled material. Folders are manufactured by Instituto Reciclar, an organization working on the social inclusion of young people and adolescents who are in vulnerable situations.

The close relationship built up with suppliers, especially the longest-standing ones, is already showing

Concept definition (source: Ethos Indicators Glossary): "The international movement called Fair Trade defends commercial practices that, in addition to being fair, are ethical and based on principles such as eradication of child and slave labor, and the elimination of discrimination related to race, gender and religion, and preservation.

# suppliers

#### concrete results in the dissemination of CSR concepts. In UniEthos' case, because services continue all year, the relationship with providers is closer still, which improves opportunities to engage this public.

An example of positive impact was the adaptation of the premises where open courses take place. UniEthos handed the people in charge of the rooms the results of a participant satisfaction survey, where participants called for greater coherence between discourse and practice. From then on one of these spaces adopted selective refuse collection in the premises, incorporated recycled products into stationery and replaced plastic cups and pitchers with glasses and glass bottles. The company started to pay more attention to compliance with legislation on the part of its suppliers and set up incentives for employees to resume their studies.

### Objectives 2009

- To design a specific policy for suppliers
- To set up systematized approaches to engage this public

# **Instructors:** providers or partners?

One of Ethos' and UniEthos' premises is to maintain an atmosphere favoring exchanges of impressions and knowledge. This is reflected in the relationship Uni-Ethos establishes, for instance, with its instructors, with whom it jointly builds up the concepts and theoretical approaches used in courses and advisory work. However, if the boundaries of this relationship are not clear, it may cause the instructors uncertainty.

If on the one hand the collective construction of concepts and theoretical approaches fosters a closer relationship of partnership between UniEthos and the instructors, on the other the nature of the relationship, from a legal point of view, is essentially a matter of providing services. In practice, however, the relationship is far more complex. The instructors act directly with clients for advisory services or courses, which gives the instructors a different character as compared to other Ethos providers.

We consider instructors a strategic public in our relationship, and they are engaged in Ethos' and Uni-Ethos' planning process. However, they do not participate in UniEthos' internal management in connection with decisions regarding the projects they have been contracted for.

"We are open to participation in technical matters, but the opportunity is smaller when it comes to decision-making processes. Technical procedures are the result of collective construction, but decisions are not participative," says Cristina Fedato, a consultant to Tear Project in the past and now a UniEthos consultant. According to her, this relationship is ambiguous and not properly communicated to the instructors. There is thus an issue of identity and role definition that must be worked on jointly.

In legal terms, the nature of the relationship between instructors and UniEthos is that of providing services. In practice, their proximity in construction and dissemination of knowledge on the subject of CSR makes the instructors UniEthos' and Ethos' external partners

Ethos believes that the action of a coordinator for the network of instructors should minimize such uncertainty. It would be this person's responsibility to take care of the relationship with the professionals, set out the rights and obligations of the parties involved, establish criteria for inclusion and exclusion of professionals from the network, map out the instructors' competences and identify any possible need for training. Such action would enrich the work and make it more dynamic. In early 2008 a UniEthos coordinator accumulated this function and is today carrying out the work.

#### THE NETWORK OF INSTRUCTORS

At present, UniEthos has 42 instructors in its network. Made up of professionals with different profiles, qualifications and experiences, the group participates in the development and delivery of products and services rendered. For this reason, it is essential for the professionals to identify with and align themselves with UniEthos' and Ethos' Missions.

When encouraging the formation of ties between the instructors, the objective is to foster integrated action of the group, thus stimulating the development of the educational competences of UniEthos itself. "Because of the proximity in the relationship and because they speak to clients in our name, the instructors are considered a strategic relationship public of the organization's. Additionally, the group plays a key role in generating knowledge and in the production of UniEthos' programs and courses," says João Serfozo, coordinator of the network.

When there is demand for courses or advisory services, the selection of the instructor for the vacancy is based on criteria such as specialist knowledge about the

subject, availability, geographical location, opportunity for the instructor and the client's preference.

In 2004, when UniEthos was established, there was a long process of selection to choose the first instructors to start up the network. At that time many went through a training cycle. The group of instructors' contribution was key in setting up UniEthos' model of action. Last year, eight new professionals joined the group, all of whom had a close relationship with the Institute. "Ethos encourages collective construction, which is enriching for both the Institute and ourselves. Working with Ethos brings a lot of learning, as well as visibility, because it will lend legitimacy to one's curriculum. It's a professional seal of approval," muses Cristina Fedato, who joined the network of instructors in 2008.

#### Profile of instructors by gender and geographical location

State	Number of Instructors	Proportion
Sao Paulo	27	65%
Rio de Janeiro	6	14%
Paraná	5	12%
Minas Gerais	2	5%
Distrito Federal	1	2%
Santa Catarina	1	2%

Gender	Number of Instructors	Proportion
Women	27	64%
Men	15	36%

# consumers and

In ten years, Ethos has on some occasions had to face the situation of reports against membercompanies. The manner in which the Institute has dealt with these episodes shapes its credibility and exposes its own dilemmas

# **Credibility** at stake

At Ethos, the customer is not always right. The business world's maxim does not apply in the case of an organization committed not to companies' interests, but to the movement to transform companies' practices and values. At Ethos, companies are not considered clients, but rather partners in the construction of a new management culture. It is UniEthos' duty to establish customized relationships with organizations by means of courses and orientation, to be true to its Mission.

Ethos has taken on no easy task. After all, its purpose is to promote the concept of CSR, not to adopt the attitude of watching over its member-companies' activities. Over these 10 years, the Institute has built its history of being a setting for dialogue. But while complying with its commitment to inspire and foster the adoption of forms of sustainable management, Ethos must also keep a coherent stance and defend its own credibility.

During its first decade of action, different episodes the Institute has had to face have made it clear that this is a complex process, full of obstacles, but also rich in learning. In the chart below we present examples of challenges met and lessons learnt.

Dealing with companies' contradictions on the road to CSR helped Ethos establish boundaries to its action and decide on the legitimacy of dilemmas faced by companies in the process of incorporating social responsibility values in management and governance. "We are not responsible for monitoring the market, but we are responsible for making the right choice of partners and moving forward with them," explains Ricardo Young. "The problem isn't internal contradictions, but how companies deal with them. Companies' relations with all interested parties must be ethical and transparent. Otherwise, the dilemma is no longer legitimate and, from Ethos' viewpoint, it becomes unacceptable," he stresses.

#### THERE IS NO LACK OF EXAMPLES

In 2005 Ethos was involved in a debate with public bodies and pharmaceutical companies about a decree making it compulsory to split up boxes, blisters and other presentations of medicines for sale, a measure that in the Institute's opinion would benefit the population. Some of Ethos' member-companies in the pharmaceutical sector joined the debate, while others refused to negotiate and pressured the Institute to drop the campaign. They argued that the measure might encourage self-medication, while some admitted that the new decree might damage them economically.

# cl!ents

This was not the first case – nor will it be the last – placing Ethos in the position of questioning companies' behavior. Several cases illustrate incoherence the Institute has had to deal with, both internal and externally, in order to comply with its objectives. In future years Ethos intends to watch over the behavior of member-companies even more closely, as well as their actual commitment to CSR.

The most recent example of a public clash with a member-company took place in late 2008. The spark setting it off was Ethos' public questioning of Petrobras' and Anfavea's (National Association of Motor Vehicle Manufacturers) position regarding reductions in the sulfur content in diesel fuel, and the production of engines that would pollute less, both of which are necessary to implement the National Council for the Environment's Resolution 315. The aim of this Resolution is to reduce air pollution and thus mitigate negative effects on public health. The debate had wide repercussion in the media and led to Petrobras' request to be excluded from membership of Ethos.

The episode gained further notoriety when Oded Grajew, who was the President of Ethos' Steering Committee at the time, wrote an article published in the newspaper Folha de S. Paulo on November 13, 2008, calling for compliance with the Resolution. Grajew's article was in reply to a statement by Petrobras and the National Association of Motor Vehicle Manufacturers (Anfavea) that they did not have time enough to comply. The Resolution had originally been published in 2002, and established January 2009 as the deadline for oil companies and the automobile industry to comply.

Before that, however, the Institute had provided



a setting for public debate on the subject during the 2008 Ethos Conference. At the time representatives of Anfavea, Petrobras, Sao Paulo Municipal Secretariat for Green and Environment, the Pathology Department of the University of Sao Paulo and the network of Campeão service stations were at the table. The moderator was Milton Jung, from CBN radio.

There was also an incident leading to Ethos' being suspended from ISE/Bovespa (Corporate Sustainability Index) for a year. The Institute inadvertently incurred in letting out confidential information related to the result of internal voting at ISE in connection with the exclusion of Petrobras from the Index. The position was filled by Ricardo Young. "It wasn't retaliation against the Institute by ISE stemming from our position on the question of sulfur, but a necessary stance for the Index to maintain its credibility. We understand and heed the decision," says Young.

### consumers and clients

Six months on, Young's evaluation is that the Institute complied with its role. "We adopted the stance of demanding coherence from the companies. We weren't conniving," he states. In the opinion of Oded Grajew, the results of the clash of ideas were not what the Institute wished for. "For Ethos, the ideal thing would have been to see Petrobras, the largest Brazilian company, adopting a leading position in the debate on sulfur reduction in diesel fuel, proposing solutions, facing up to its dilemmas and setting an example for the sustainability movement in Brazil and worldwide."

Petrobras was asked for a position in connection with the case for this Report, but they preferred to say nothing. In December 2008, the company distributed a press release justifying their decision to leave Ethos. According to the note, their departure was due to the vision that the Institute was backing "a campaign aimed at affecting the company's image and questioning its administration's seriousness and efficiency".

#### **EXCLUDE OR ENGAGE?**

In its first 10 years of existence, Ethos' institutional form of action when member-companies are involved in controversial cases has always been to make dialogue an instrument for negotiation. This is course of action midway between defending the summary exclusion of the company accused of violating the Charter of Principles and trusting in the educational process, which requires more time.

In 2006 two member-companies, BASF and Faber-Castell were reported to be using child labor in their respective value chains. When Ethos was informed of this, the Institute contacted the two member-compa-

nies and recommended that they be utterly transparent in the case. "On this occasion, the Institute was proactive in contacting us in a collaborative spirit. They asked for information about the facts, but they also placed themselves at our disposal where possible. Their communication channels were important to clear up and deal with the matter," says Irineu Diniz, Faber-Castell's Human Resources Manager.

According to Wagner Burunini, BASF's Human Resources Director for South America, the dialogue established with Ethos was rich in exchanges of experience. "BASF was in contact with Ethos' technical committees acting in the area of suppliers' value chains. Our objective was to seek orientation, to learn about and understand the mechanisms Ethos had to offer," he recalls.

In the evaluation of Margues Casara, the journalist who was in charge of the investigation carried out by Social Observatory Institute (the organization that reported the companies), Ethos' role was essential in facing the problem. "The Institute takes the role of protagonist to promote changes in behavior. This case [involving BASF and Faber-Castell] is an example of this. There was a serious accusation, and Ethos mobilized the companies and paved the way for discussions." In his opinion, "If the Institute didn't exist, the companies wouldn't be as concerned about social responsibility as they are now."

The episode, which came to be known as the "talc case" because it involved a supplier of the product used in ink and crayons, clearly illustrates Ethos' vulnerability in connection with how member-companies deal with risks in their value chains. For Ethos it was yet another confirmation of the fact that on the road to sustainability, they all have their own challenges to face.

#### Challenges and lessons learnt 👊



Degrading labo	r and labor analogous to slavery
Fact	As of 2003, Grupo J. Pessoa, one of Ethos' first member-companies, was involved in a number of reports involving the use of degrading labor and labor analogous to slavery on its farms. Further reports were made in 2007. In 2007 and 2008 slave-labor practices were confirmed in two of the Group's companies.
Ethos' response to the fact	On the occasion of the first report, José Pessoa de Queiroz Bisneto, the president of the company and a member of Ethos Institute's Advisory Board, takes the initiative of providing explanations. In 2007 the Institute invites José Pessoa to provide explanations and make commitments. In 2008 the Steering Committee sends José Pessoa a letter informing him that the process has been initiated for the application of the penalty of exclusion from membership but granting a period of time for explanations and guaranteeing the right to full defense.
The other side	"I requested a meeting with Ethos' directors and received no reply. Some days later we received an official letter saying that our explanation would be analyzed by the Council and that we had the right of defense. It was then that we made the decision to withdraw from the entity. We consider this a judgment in advance," in the evaluation of José Pessoa.
Results	Grupo J. Pessoa is excluded from Pact against Slave Labor after its justifications are not accepted by the Pact Management Committee. Company is included in Ministry of Labor & Employment's dirty list. José Pessoa resigns from Advisory Board and withdraws his companies from Ethos.
Lessons learnt by Ethos	1) Episode is evidence of Ethos' difficulty in dealing with cases of reports involving member-companies. 2) A body such as the Ethics Committee is clearly necessary to delimit the Institute's decisions in a more agile fashion.

Child labor in tl	ne talc value chain
Fact	In 2006 a study by the Social Observatory Institute reveals the use of child labor to extract talc in Minas Gerais State, on the part of suppliers of the product as raw material for the manufacture of ink, in the case of BASF, and crayons in the case of Faber-Castell, both member-companies of Ethos.'
Ethos' response to the fact	Contacts companies to hear them out about the case and offer support to solve the impasse.
The other side	"BASF was in contact with Ethos' technical committees acting in the area of suppliers' value chains," says Walter Brunini, BASF's Human Resources Director for South America.  "The Institute was proactive in contacting us in a collaborative spirit. Their communication channels were important to clear up and deal with the matter," says Irineu Diniz, Faber-Castell's Human Resources Manager.
Results	BASF and Faber-Castell discontinue trade relations with the suppliers involved and strengthen control of their respective value chains.
Lessons learnt by Ethos	1) Dialogue is key to mobilizing companies and helping them deal with their dilemmas and those posed by their supply chains.

Sulfur in diesel	Sulfur in diesel fuel				
Fact	In 2002 Conama brings out Resolution 315 calling for reductions in emissions of sulfur particles into the atmosphere. The body establishes that oil companies and automobile manufacturers must comply with the measure by January 2009. In 2008 Petrobras and Anfavea (National Association of Motor Vehicle Manufacturers) state that there is insufficient time to comply.				
Ethos' response to the fact	Institute's top directors directly involved in meetings and phone conversations, and suggest ways to deal with the dilemma transparently, leading the debate and involving stakeholders. The 2008 International Conference provides a setting for public debate of the matter. Petrobras did not reply to Ethos' suggestions at meetings and public audiences, especially the proposal to assume leadership in the matter of diesel fuel in conformity with Conama. When forms of dialogue are exhausted, the Institute engages in a public campaign calling for compliance with Resolution 315.				
The other side	When asked for a statement, Petrobras does not deem it suitable to express an opinion on the matter for this Sustainability Report.				
Results	In 2008 Oded Grajew, then President of Ethos' Steering Committee, writes an article published in <i>Folha de S.Paulo</i> calling for compliance with Resolution 315. Some days later, the website of Our Sao Paulo Movement (of which Oded was a founder) shares the information that the Steering Committee of Bovespa's Entrepreneurial Sustainability Index has approved the exclusion of Petrobras from the ISE portfolio of clients. One week later the company asks to withdraw from Ethos.				
Lessons learnt by Ethos	1) The case strengthens importance of Institute's autonomous and independent behavior. 2) The case illustrates explicitly the need for effective mechanisms to delimit Institute's decisions. 3) The idea of setting up the Ethics Committee gains strength.				

### consumers and clients

Even though all its production is free and for free, Ethos possesses specific mechanism for its relationship with member-companies. In such relationships, both the Institute and the organizations have their own obligations to comply with as well as demanding them of the other party

# Rights and duties

Ethos is not a consulting firm, or an auditing firm. It does not certify companies' work in CSR, and it is not a body to defend their interests. However, it is an entity to defend the CSR movement. For the Institute, every company doing business in compliance with the law i.e. active CNPJ and not in the Ministry of Labor's "dirty list" – is a potential partner for developing sustainability. For this reason, there are no restrictions in sector and size for membership.

The same as for becoming a member of the Institute, a company's process of withdrawal is formal. The request must be in writing, and the intention to withdraw communicated at least one month in advance.

Ethos expects a member-company to fulfill the commitment of contributing financially to the Institute, suggesting a membership fee in proportion to the previous year's invoicing. However, it is up to the companies to decide what sum they feel comfortable with, in accorNew member-companies over the years

Year	TOTAL
2006	175
2007	199
2008	172

Total withdrawals over the years

Year	TOTAL
2006	70
2007	48
2008	106*

(\*) Considering the period January to August 2008, this figure was lower than that for the same period in 2007. The surge in the fourth quarter started at the same time as the start of the world economic crisis.

Definition of term (source: Ministry of Finance): "Acronym for the National Register of Corporate Entities, which is administrated by Brazilian Revenue Service and which registers information about businesses and certain entities not characterized as such (entities such as associations, enterprises and companies possessing juristic responsibility)"

### UniEthos as a provider

Companies become *de facto* clients through the work developed by UniEthos, specifically in-company courses and advisory services. A service-providing relationship is established by UniEthos, for which the organization is remunerated. Relationships established with different companies are differentiated, depending on the proximity of UniEthos and the contracting company. One example

— of many — is the work developed with Citi. "UniEthos was key to facilitating understanding of forms of action in CSR, reviewing the focus of social investment made by the company and fostering discussion in the sustainability area, which has now become concrete plans and action in different areas of Citi," says Vanessa Pinsky, the financial entity's manager for socio-environmental responsibility.

dance with predetermined brackets ranging from R\$ 60 to R\$ 2,500 monthly. Further information is available in www.ethos.org.br.

#### **RELATIONSHIP WITH MEMBER-COMPANIES**

Once a company has become a member, Ethos expects it to be a partner in the dissemination of CSR concepts to its publics, to commit to CSR and sustainable development and to participate in activities and events promoted by the Institute. On the other hand, the company can expect Ethos to be a protagonist in matters linked to CSR and sustainability. "Considering that CSR is becoming a new knowledge domain, we can keep up to date continuously by means of dialogue with Ethos' Board and the participation of our leadership in activities promoted by the Institute," is the evaluation of Yolanda Cerqueira Leite, director for Legal Matters and External Relations at Whirpool, a member since 1998.

It is up to Ethos to mobilize member-companies around CSR, create references, concepts and tools relative to the subject, support the incorporation of CSR in company management, and guarantee companies' access to knowledge, information and dialogue connected with CSR policies and practices. "When we became members, we were expecting information, guidelines and examples of excellence in social responsibility to put in place in our companies, and all that we certainly got. Over the years, Ethos has generated a great deal of didactic content, which has proved very useful," says Eugenio Cabanes, Communication and Social Responsibility director at Endesa, a member since 2006.

On the other hand, some member-companies want more systematized communication mechanisms from the Institute. "Ethos needs to invest in settings and forms of dialogue, leading to greater transparency and becoming more democratic in its actions," in the evaluation of Michael Haradom, president of Fersol. One of the first measures in this direction was taken in 2008, when the website was redesigned and started to incorporate topics more directed at member-companies. However, the Institute needs to advance further. "Ethos has still not managed to balance excess of demand and its capacity for supply," sums up Ricardo Young. In reply to this challenge, the Institute is studying the creation of channels to make contacts with member-companies closer and systematize accountability for its activities.

#### consumers and clients

#### **SMALL AND MEDIUM-SIZED**

There is no differentiation in how member-companies of different size and in different sectors are treated, and they are all guaranteed confidentiality of information. Even so, one specific public has demanded more attention from Ethos: small and medium-sized member-companies (SMEs). "Ethos could explain its action and objectives in connection with small and medium enterprises more clearly. The Institute needs to make an effort to get closer to this public", says Virna Ricci, from the Human Resources area of Intereng Automação Industrial - a member-company since 2008.

Besides taking into account the possibility of more active work with SMEs, the Institute considers this public strategic. "Ethos recognizes the importance of small and medium-sized companies in the national economy and in the context of CSR. A sign of this is the work with SMEs through *Tear* Project, as also the creation of a specific tool for this public - the version of Ethos Indicators prepared in partnership with Sebrae," explains Tereza Cristina Rosa Farache, who is responsible for Ethos' relationship with member-companies.

Ricardo Young considers that, in fact, Ethos' investment is greater in the case of large member-companies. "A big company' leveraging power and capacity of dissemination of changes in society and its value chains are greater than what we'd manage in ten lifetimes. This doesn't mean, however, that we can forget about having

a structure aiming at better attention of small and medium-sized companies. They have a timing for change of one to two years, much shorter than that of large companies," states Ethos' President.

#### **HOW COMPANIES ARE HEARD OUT**

Even though all its production is freely accessible for all companies wishing to incorporate CSR in their management, Ethos has some information and contact mechanisms that are exclusively for member-companies. "Ethos is concerned about approaching membercompanies. That's why we have some events for relationship that are specifically for this public," explains Tereza Cristina Rosa Farache.

Some of these exclusive events are: the welcome when a company becomes a member, an introductory lecture on the CSR movement, workshops on subjects such as Ethos Indicators, the annual gathering of Ethos' directors and the presidents of member-companies, and the debate on planning for the ensuing year and statement of accounts for the current year.

In addition to these presential meetings, there is an outsourced attention nucleus responsible for receiving, processing and replying to the doubts and requests of both member-companies and companies that are not members. Contact telephone (+5511) 3514-9910 or e-mail atendimento@ethos.org.br.

Size of member-companies\*

Size	Total	%
Micro	275	21%
Small	364	28%
Medium	243	19%
Large	432	33%

<sup>(\*)</sup> Data for December 2008.

#### Number of activities carried out with member-companies

Activities – relationship with member-companies	Number of events carried out
Workshops – Ethos indicators	7
Workshops – GRI	3
Workshops – Strengthening CSR	2
Lectures	8
Total	20
Total participants	306

Activities – Entrepreneurial Sustainability Network	Number of events carried out
Thematic gatherings	54
Lectures	17
Workshops	14
Meetings	12
Visits	2
Forum	1
Participation in awards	1
Participation in conferences	1
Total	102
Total participants	3,368

#### Average attention by nucleus in 2008

Number of phone calls (made and received)	12,960
Number of e-mails answered	5,760

#### SATISFACTION SURVEYS PB



Another way to keep in touch with member-companies' opinions and expectations are satisfaction surveys. Until 2005 Ethos ran annual satisfaction surveys with member-companies for the purpose of planning for the ensuing year. Nowadays surveys are specific and limited to evaluations filled in by member-companies' representatives at the end of some events organized by Ethos. In such cases evaluation has been positive, ranging from "good" to "very good". There are also specific evaluations carried out at certain Institute events with positive results, such as the survey at the International Conference. The organization's objective is to establish a certain periodicity of satisfaction surveys of member-companies and systematize the process.

UniEthos' courses are also evaluated by the representatives of member-companies. Now UniEthos is facing the challenge of developing instruments for measuring the effective impact of activities and courses on company management.

#### consumers and clients

Sponsorship of projects, one of Ethos' main forms of funding, extrapolates business matters. For this, the project's purpose and the profile of the sponsoring organization must be in alignment

# Value in support

The relationship established between Ethos and the companies sponsoring its activities is not limited to financial compensation. Alignment of the company and the project to be funded is necessary. "Ethos works constantly on building up and maintaining its credibility. One way to do this is to be careful with the associations of our mark. The Institute only wants an association with companies that are committed to the process of change related to sustainability, and it is for this reason that we only accept the sponsorship of member-companies," explains Paulo Itacarambi, Vice-President of the Institute. According to him, Ethos associates its mark only with companies whose products contain a commitment to change. "That's why we don't accept the sponsorship of companies that might make this purpose doubtful, such as spirits, tobacco, weapons, and companies whose activities are linked to controversial subjects in society, like transgenics," he asserts. Nevertheless we do work with them for a change in their culture of business management," adds Itacarambi.

Even though sources for funding are thus restricted to member-companies, accepting sponsorship is a weighty decision for the Institute. Nor does Ethos accept funds stemming from the national public budget, to avoid any questioning of its impartiality.

This same care is taken in connection with companies. "It is undeniable that Ethos lends credibility and visibility to companies sponsoring its activities", asserts Maria Cristina Bumachar, coordinator of relations with companies. In this sense, the Institute is facing a dilemma. How can we accept a sponsor who manufactures goods or provides services the Institute does not agree with? On the other hand, if Ethos has accepted a company as a member, why not accept sponsorship? The Institute lacks clear criteria in this area. Currently the company's type of activity or product affects whether or not it will be accepted as a sponsor, but this is decided on a case-by-case basis. There is a need for systematization of criteria and internal rules in a transparent sponsorship policy.

#### **GOOD FOR BOTH SIDES**

A company funding an activity of Ethos' is asked to participate in discussion of the project. For this reason, synergy between the activity being funded and the profile of the organization putting up the funds is key. "The company simply must be aligned with the project. It's important for sponsorship to work both ways - it must be productive for both the sponsor and Ethos," explains Maria Cristina.

"The willingness of Natura's executive group to involve themselves in preparing proposals and contents for the Institute's projects is very stimulating. In addition to our financial investment in projects, our executives find time to participate in projects we support, so they pervade the company's processes," says Rodolfo Guttilla, director of corporate matters at Natura, one of Ethos' top sponsors.

Before offering a potential sponsor an activity, the Institute's team identifies the company's strategic focus on the occasion in question, by means of research, meetings and exchanges of information. Close attention to member-companies, maintaining a close relationship and respecting the time each company is going through help Ethos strengthen partnerships and create opportunities for sponsorship in the medium and long term.

#### **MOBILIZATION OF RESOURCE**

Projects developed at Ethos go through a process involving strategic planning approved by the Steering Committee, design by the team, Board approval, and setting the value, number of shares and compensation to be offered to sponsors. Not until then does the actual obtaining of funds begin. In some cases the project is funded by means of agreements with national and international institutes and foundations whose focus of action is in line with Ethos' strategic interests. Projects most usually involve matters of general interest to the sustainability movement rather than being tailored to companies' specific requirements (an activity performed by UniEthos). An example is the *Tear* Project, which focuses on value chains and acts in partnership with the Inter-American Development Bank (IDB).

In most agreements, Ethos contributes the technical knowledge, while the funding entity covers an important portion of the costs. When the project draws to an end, Ethos issues a report of activities and sets up a meeting with the sponsors, or the entities agreements have been made with, for collective evaluation of the process and rendering accounts. The Institute also carries out a survey to determine the company's degree of satisfaction with the project and compliance with compensation. The survey additionally asks for suggestions for future events and projects.

The forms of compensation and activity reports vary in accordance with the project. They range from participation in a work group to trademark visibility. Sonia Favoretto, Itaú Unibanco's Sustainability Supervisor, identifies opportunities for improvement in the relationship between Ethos and sponsors. "The compensations received for our partnerships with Ethos have helped advance our agenda. A very important point, which in our opinion can be increased, is the production of reference publications, which have always been a mark of Ethos and mean a great deal when sharing knowledge and practices," she says. According to Rodolfo Guttilla of Natura, one solution would be the systematization of knowledge produced by projects. "Our main gain when we sponsor Ethos' activities is access to knowledge generated by the projects, as well as an association between the marks, which is productive for both sides. Finally, we believe that this knowledge could be offered to sponsors in a more structured fashion, as compensation for the investment", he surmises.

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When one tries to define Ethos' area of influence, the only certainty is that the notion of community extends beyond geographical limits and reaches circles far broader than the district of Pinheiros, where our premises are

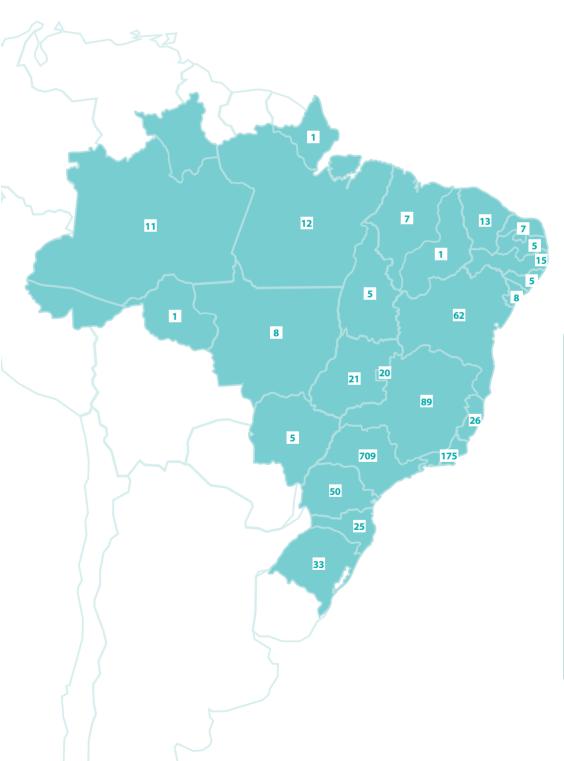


# Extended neighborhood

There are over 15 entries for the term "community" in Houaiss Dictionary. This noun can mean "place where such a community is lodged" or "the state", "the municipality", and also "group of individuals bound together by a common policy of action". The number of alternative meanings in the dictionary reflects what happens at Ethos: the word "community" allows for different interpretations in the Institute.

Ricardo Young, for instance, considers that Ethos' community "is the market". Carlos Magri, an advisor for public policy, says "it's the national territory, impacted by means of the public policies Ethos involves itself with". Unlike an industry, which has a clear notion of the community surrounding its premises, the fact is that it is hard for the Institute to determine exactly what the extension of its influence is. Today Ethos is present in 25 of Brazil's 27 states, equivalent to 92%.

# ty



# Distribution of member-companies throughout Brazil 20

#### Companies\*

Alagoas         5         0.37%           Amazonas         11         0.80%           Amapá         1         0.07%           Bahia         62         4.75%           Ceará         13         1.02%           Distrito Federal         20         1.54%           Espírito Santo         26         1.98%           Goiás         21         1.61%           Maranhão         7         0.51%           Minas Gerais         89         6.80%           Mato Grosso         8         0.59%           Mato Grosso do Sul         5         0.37%           Pará         12         0.95%           Paraíba         5         0.37%           Pernambuco         15         1.17%           Piauí         1         0.07%           Paraná         50         3.80%           Rio de Janeiro         175         13.31%           Rio Grande do Norte         7         0.51%           Rio Grande do Sul         33         2.49%           Rondônia         1         0.07%           Santa Catarina         25         1.90%           Sergipe         8         0.59% <th>companies</th> <th></th> <th></th>	companies		
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(\*) Data for December 2008.

## community

The Institute is concerned about creating action that can be reapplied throughout Brazil. An example is the work developed with Our Sao Paulo Movement, of which Ethos was a founder

> In strategic terms, the community is as wide as the city of Sao Paulo, as wide as the country, or perhaps as wide as the CSR movement in Brazil and worldwide. Efforts are therefore directed at establishing partnerships with other NGOs, companies and public entities in order to influence the "community" in its broadest sense. In the light of this definition, and taking into account the low impact of the Institute's action in the neighboring community, direct action in the building and neighborhood lodging our office has been limited to specific and not very expressive action over these ten years.

#### **REPLICABLE ACTION**

Even though Ethos' work aims at extending the Institute's influence beyond the geographical limits of the city of Sao Paulo, the state capital is often the initial focus of its initiatives. This is due, on the one hand, to the fact that Ethos' premises are located in Sao Paulo and, on the other, to the fact that this metropolis is a reference in the national economy, responsible for generating more than 31% of Brazil's GNP. Ethos seeks to position itself as a national entity, a factor that is taken into consideration in strategic planning for the next ten years.

The Institute is concerned about creating action that can be reapplied all over Brazil. An example is the work carried out with Our Sao Paulo Movement. of which Ethos was one of the founders, and is at present a member of the Council of member-organizations. The Movement has obtained an important victory in the state capital, with the Municipal Chamber's unanimous approval of a law calling for compulsory preparation of detailed government programs by mayors, and subsequent accounting for action carried out or not carried out during the four-year mandate.

Ethos has incorporated the debate proposed by the Movement in different ways. One was setting up a



Visitors to the "Ethos 10 years" exhibition leave messages, proposals and hints for the Institute's next decade.

Work Group to discuss different forms of management and company practices that will contribute to building a sustainable city. The Work Group, comprising member and non-member companies, had 17 members in 2008. In 2009 the publication "How companies can contribute to sustainable cities" will be brought out. Even though it is a project of Ethos', the Work Group lends support to this strategic event, which represents the Movement's essence.

On another front, the work of the Corporate Network for Sustainability has mobilized companies on the subject of sustainable cities. Companies' contribution to this process is already on the agenda of monthly meetings with the member-companies, organized by Ethos. The first results of this effort have started to become apparent. "In 2008, discussions at the Corporate Network for Sustainability meetings led to the mobilization of member-companies in Salvador, who set up Our Salva-

dor, whose work will be launched in 2009," says Solange Rubio, the Corporate Network's coordinator.

In addition to the effort launched by Ethos, Our Sao Paulo Movement's experience led to the independent creation of similar action in Belém, Belo Horizonte, Brasília, Curitiba, Rio de Janeiro and a further fifteen cities throughout the country, with the necessary regional adaptation. The exchange of experiences between these different fronts of action is taking place through the Brazilian Social Network for Fair & Sustainable Cities, established in June 2008.

Our Sao Paulo Movement is evidence of Ethos' role of fostering the preparation of public policy and mobilizing different kinds of organizations. In 2009 Ethos intends to continue investing in setting up partnerships with other entities and encouraging the mobilization of different actors in the pursuit of common goals.

# government and society

The first phrase in the work of the Portuguese poet António Gedeão sums up a successful strategy of Ethos': establishing partnerships to extend actions' influence and impact

# "My village is the whole world"

Sao Paulo, Amsterdam, London, Brasilia, Geneva, New York, Alter do Chão. Ethos manages to act in all these cities without increasing its team or setting up branches in Brazil and all over the world. How? By establishing partnerships with organizations in civil society, companies and national and international public bodies.

The official 2007 launch of the Sustainable Amazon Forum was a milestone in Ethos' process of consolidation of the strategy of working in cooperation with other organizations. "Linking different social actors around common goals is key for the Forum and other projects to become concrete," asserts Carlos Magri, an advisor in the area of public policy. If they were carried forward by the Institute on its own, these initiatives would not have the thrust and reach necessary to comply with their objectives.

Over the last few years, the linkage strategy has also contributed to establishing new entities and movements, such as Our Sao Paulo Movement, Akatu Institute and the National Forum on Learning. "In this way, Ethos contributes to work fronts it deems legitimate and necessary for the CSR movement, keeping its own structure small and its focus on its own Mission," concludes Magri.

When called upon, Ethos also participates in initiatives led by other organizations. The Institute is a partner of the main Brazilian entities acting in matters related to social responsibility, such as GIFE (Group of Institutes, Foundations and Enterprises), Avina Foundation and Ashoka Social Entrepreneurs, with whom it created Aliança Capoava. These entities are active in creating and disseminating knowledge and tools to contribute to change in society.

Another collective initiative Ethos participates in and coordinates is **PLARSE** (Latin American Corporate Social Responsibility Program), established in January 2008 in partnership with Avina Foundation, ICCO (Organization for Inter-Ecclesiastic Cooperation for Development) and Forum Empresa.





The objective of the program is to strengthen the CSR program in Latin America, by means of sharing knowledge and exchanging experiences among participating organizations, and consolidating partnerships contributing to an atmosphere favorable to socially responsible management in the region. The countries and organizations participating are: Fundación COBORSE<sup>1</sup> - Bolivia; Ethos Institute - Brazil; CCRE2 - Colombia; CERES3 - Ecuador; UNIRSE4 - Nicaragua; ADEC<sup>5</sup> - Paraguay and Peru 2021<sup>6</sup> - Peru. Linkage of companies is carried out by means of the implementation of three Ethos projects. Local coordination of work is carried out by organizations that also do this kind of work in these countries. Ethos Indicators stimulate the internal watchfulness of companies; the CSR in the Media Program (Award and Journalists' Network) reinforces dissemination of the subject in society; and the CSR Fighting Poverty Program encourages companies to contribute effectively to lessening social inequality. PLARSE is currently being implemented in every one of the seven countries.

#### **ADDING TO MULTIPLY**

Ethos' relationship with international organizations has intensified in recent years. For example, the Institute participates in the executive coordination of the Round Table on Responsible Soy Association (RTRS) as well as the world council of the Global Compact and the administration council of Global Reporting Initiative (GRI). In return, representatives of 21 international organizations, including AccountAbility, BSR, Amnesty International and GRI itself are on Ethos' International Advisory Board.

The Institute took on the commitment of disseminating world strategic action in Brazil, such as UN's Millennium Development Goals (MDG). Ethos hosts the executive secretariat of the Global Compact Brazilian Committee and encourages member-companies to incorporate and disseminate the Compact's principles. Another international activity is participation in putting together ISO 26000, which is to become effective in 2010. The Institute is one of 40 organizations linked to CSR acting in the ISO 26000 international forum and has chaired discussions on work in value chains. In Brazil the Institute





set up the ISO 26000 Ethos Work Group, comprising member-companies with an interest in contributing to debate on the norm and its subsequent application. Ethos also acts as a focal point for GRI in Brazil.

#### **CONVERGENCE OF INTERESTS**

Ethos has contributed as a linking agent to pacts on the fight against practices that still exist in Brazil – to its shame – such as corruption and slave labor. On signing them, a company commits itself publicly to respect their guidelines, and will be questioned if it does not. Noncompliance with these commitments will impact the company itself. "Initiatives such as these seek to mobilize more sustainable consumption, through the market," says Caio Magri.

The experience with pacts is an example of the power of pressure brought to bear in collective action. Partnerships are vital for this. The construction of the National Pact for Eradication of Slave Labor, for instance, is the result of a partnership between Ethos, an NGO called Repórter Brasil, ILO (International Labor Organization) and the Social Observatory Institute. "The pacts are important instruments for both the Institute and the other organizations involved in the initiative to meet their objectives," emphasizes Leonardo Sakamoto, coordinator of Repórter Brasil – one of Ethos' partners in the National Pact for Eradication of Slave Labor.

"My village is the whole world The whole world belongs to me Here I meet and mingle With people from the whole world Who to the whole world belong"

Fragment of António Gedeão's poem

Ethos is considered an important partner by the other organizations involved, mainly because of its influence on companies. "Actions require more and more involvement and partnership between trade unions, NGOs and entrepreneurs," explains Amarildo Dudu Bolito, supervisor of Social Observatory Institute. Andrea Bolzon, ILO national coordinator for the Fight against Slave Labor Project, considers the partnership with Ethos an opportunity to ensure a high level dialogue with Brazilian entrepreneurs. "ILO already had a longer agenda related to decent labor. We're the only UN agency with a tripartite structure, where government, companies and workers speak with once voice. Ethos' arrival was ideal to work on issues related to the fight against slave labor," says Andrea.

In the future, Ethos will invest more in raising companies' awareness of the impact of their behavior on society, and the importance of signing pacts related to national matters. "I expect Ethos to continue working in a serious and committed manner, mobilizing companies and making them aware of their role in this process," asserts Vânia Vieira, director for prevention of corruption of CGU (Federal General Comptroller) – a body of the Presidency of the Republic and a partner of Ethos' in the Business Pact for Integrity and Against Corruption. New tools and initiatives are being planned through this partnership, such as a Manual of Responsibility for companies in the Fight against Corruption and the prohibition of trade between signatory companies and entities declared unfit by the Public Administration.

#### **Initiatives and partnerships**

Name of organization/initiative	Form of participation	Representative	
Aliança Capoava	Founding Member	Paulo Itacarambi and Ricardo Young	
AccountAbility	Governing Council	Ricardo Young	
Brazilian Linkage Against Corruption and Impunity	Founding Member & Member of Linkage Committee (Coordination)	Caio Magri	
Center for Social Entrepreneurship & Administration in Third Sector (CEATS)	Strategic Orientation Council	Ricardo Young	
Center for Sustainability Studies of Faculdade Getulio Vargas (GVces)	Advisory Council	Ricardo Young	
National Commission for Eradication of Slave Labor (Conatrae)	Observer	Caio Magri and Cristina Spera	
Brazilian Council for Sustainable Construction (CBCS)	Steering Committee	Paulo Itacarambi	
Council for Support of Civil Society IDB – Brazil	Advisory Committee	Ricardo Young and Caio Magri	
Council for Economic & Social Development (CDES) of Presidency of the Republic	Council (Civil Society)	Oded Grajew	
National Council for Transparency & Fight Against Corruption	Councilor	Paulo Itacarambi and Caio Magri	
Sustainable Amazon Forum	Founding Member & Member of Executive Committee	Ricardo Young and Caio Magri	
National Learning Forum	Founding Member	Caio Magri and Ana Letícia Silva	
Avina Foundation	Partner-Leader	Oded Grajew and Paulo Itacarambi	
Itaú Fund for Excellence	Advisory Council	Paulo Itacarambi	
Global Reporting Initiative (GRI)	Administration Council	Ricardo Young	
GIFE – Group of Institutes, Foundations and Enterprises	Partner*		
Corporate Sustainability Index (ISE – Bovespa)	Steering Committee	Ricardo Young (titular) and Giuliana Ortega Bruno (suplente)	
Akatu Institute	Steering Committee	Ricardo Young	
ISO 26000	Organization D-Liaison, Member of ISO 26000 Work Group	Gustavo Ferroni and João Gilberto Azevedo	
Itaú Social	Governance – Orienting Group	Paulo Itacarambi	
Round Table – Responsible Soy	Executive Committee	Caio Magri e Ricardo Young	
Movement to Fight Electoral Corruption	Member of National Committee	Caio Magri	
Our Sao Paulo Movement	Founding Member & Organization Participating in the Movement	Ricardo Young, Paulo Itacarambi, Gladis Eboli and Tereza	
Award, Millennium Development Goals/ National Movement	Founding Member & Member of Coordination	Caio Magri	
Anticorruption Pact (PACI) of World Economic Forum	Partner	Ricardo Young, Tabata Villares e Caio Magri	
Global Compact	Focal Point in Brazil/Executive Secretariat of Brazilian Committee & Councilor of Int'l. Advisory Board	Tabata Villares, Oded Grajew and Ricardo Young	
Sustainable Planet (Editora Abril)	Advisory Board	Ricardo Young	
Banco Real Sustainability Practices	Advisory Board	Ricardo Young	
Social Responsibility in Retailing Program CEV-FGV	National Institutional Supporter		
Social Technology Network	Founding Member & Member of Managing Group	Oded Grajew, Paulo Itacarambi and Ana Leticia Silva	
World Network for the Fight Against Corruption – World Social Forum	Founding Member	Caio Magri	
Exame Magazine	Sustainability Council	Ricardo Young	
Primeiro Plano Magazine	Editorial Council	Paulo Itacarambi	
All for Education	Governance Council	Ricardo Young	
Transparency Brazil	Member	Ricardo Young	
WWF Brazil	Advisory Board Brazil	Guilherme Peirão Leal and José Roberto Marinho	

## government society

Public power is an important ally for the promotion of corporate social responsibility, but the boundaries of this partnership must be more clearly defined to give no place to conflict of interests

# A public for all

Ethos believes that work developed in partnership with public bodies offers an opportunity for mobilization around CSR values. There is growing demand from municipal and state government to strengthen dialogue with the Institute. Partnerships between Ethos and public bodies do not involve any kind of remuneration. In the case of UniEthos, services provided to public bodies may be charged for. This in no way interferes with the impartial nature of the organization.

In the case of Ethos, the Steering Committee made a rule preventing the organization from accepting funding from the public budget. This measure was adopted with the objective of ensuring the organization's independence, and avoiding any attempt at political interference with its action. Ethos affords public companies and companies in the private sector the same treatment as long as both are present in the market with the same competitive principles.

The Institute's main objectives in approaching public power are to foster the preparation of public policy to effectively incorporate CSR in Brazilian companies and involve entrepreneurs in matters relevant to national debate. To this end, in 2003 Ethos set up the CSR & Fight Against Poverty Work Group. In line with Millennium Development Goals, the Work Group endeavors to unite efforts to battle poverty and hunger in the North and Northeast of Brazil. The Group comprises representatives of top management of six multi-sector organizations: Ethos, Avina Foundation, Banco do Brasil Foundation, ICCO, Rede Unitrabalho and Solidarity Development Agency (ADS/CUT).

Additionally, Ethos endeavors to provide entrepreneurs with information so they have the necessary tools to effectively demand ethical and transparent behavior of the government.

#### STRENGTHENING DIALOGUE

The Institute has been invited to participate in bodies such as governmental councils and committees. It is a member of the Council for Public Transparency & Fight against Corruption, which has been linked to the Federal General Comptroller (CGU) since its inception, and the Council for Economic and Social Development, both linked to the Presidency of the Republic. Ethos is also involved in the National Learning Forum, linked to the Ministry of Labor & Employment, and the National Com-

mission for Eradication of Slave Labor (Conatrae), which is linked to the Special Secretariat for Human Rights of the Presidency of the Republic.

The close relationship with public bodies has brought positive results for Ethos, member-companies and the government entities themselves. The Institute's influence on entrepreneurs benefits the scope of public projects such as those run by SPM (Special Secretariat for Policies for Women). "Strategically speaking, Ethos is a privileged interlocutor with SPM in matters related to women's presence in the workplace. For example, research performed by the Institute has been used to help orient policy we develop in the environment of the Federal Government," discloses SPM Minister Nilcéa Freire.

In partnership with the Secretariat for Human Rights (SEDH), Ethos organized the 2008 gathering of Presidents called "CSR and Human Rights". The event was attended by the President of Brazil, Luiz Inácio Lula da Silva, ministers Paulo Vannuchi (Special Secretary for Human Rights), Edson Santos (Minister-in-Chief of the Special Secretariat for Policy Promoting Racial Equality), Carlos Lupi (Minister of State for Labor & Employment) and Nilcéa Freire, as well as Sao Paulo State Governor José Serra, Sao Paulo City Mayor Gilberto Kassab and more than 250 company presidents. Ricardo Young and Oded Grajew represented Ethos. The objective of the gathering was to strengthen dialogue between entrepreneurs and public bodies and insert discussion of human rights

### *Objective 2009*

• Ethos intends to participate in debates on the crisis and public policy that can influence the socially responsible behavior of companies and help redirect public and private investment to sustainable development

into companies' day-to-day activity, stimulating the commitment of organizations to defending and upholding these principles.

The Organization's objective is to defend CSR and the public discussion of subjects involving member-companies transversally, considering society's broadest interests. Ethos' concern with impartiality does not prevent staff-members and councilors from being supporters, members or militants of specific political organizations of their own free choice. Such personal choices do not determine what partnerships are put in place by the Institute, not do they influence its action.

In the future Ethos intends to continue linkage around public policy influencing the behavior of companies, which implies even greater contact with public power.

# environment

A focus of priority for the future, the Amazon mobilizes the hopes of many social actors for a new pattern of development

**Amazon calls** 

Agropalma; CNS (National Council of Rubber Tappers); Coiab (Coordination of the Indigenous Organizations of the Brazilian Amazon); Foirn (Federation of the Indigenous Organizations of Rio Negro); Avina Foundation: Orsa Foundation; GTA (Amazon Workgroup); Ethos Institute - Business and Social Responsibility; ICV (Life Center Institute); Imazon (Amazon Institute of People and the Environment); ISA (Socio-Environmental Institute); PSA (Health and Joy Project); Vale; Wal-Mart Brazil

Alter do Chão is a riverside resort with a population of about 6 thousand, located 32 km from the city of Santarém, in Pará State. An important tourist pole in the region, it is famous for its white sandy beaches on the blue waters of the Tapajós River. It was there, on the riverbank, that 40 leaders representing companies, traditional communities, rainforest peoples and civil society met in April 2007 to put together Sustainable Amazon Forum, which was launched in November of that same year.

Discussions took two days. The first saw debates behind closed doors, in a hotel meeting room with tables set up in a "U", PowerPoint presentations and air-conditioning to relieve the heat. As a celebration, that evening the group participated in a ceremony on the banks of the mystical Green Lake, lit by a campfire and the stars. The gathering was promoted by Davi Kopenawa, president Hutukara-Yanomani. At that point the participants realized it made no sense to debate the future of Amazon's priceless natural resources in a meeting room that could have been in any five-star hotel in the world. Air-conditioning, technology and suits were cast aside and from that point on deliberations took place on the riverside, in the shade of the Pará rubber trees.

#### SUSTAINABLE DEVELOPMENT

"The Amazon has all the elements necessary to set up a real project of sustainable development. We all talk about this, but nobody has yet seen one put into practice," explains Ricardo Young. What can Ethos do in this connection? "It could offer its services as a linking agent for the different entities, as a facilitator of intersector dialogue seeking consensus and a platform for action. That's what we did at the Sustainable Amazon Forum," he stresses. Today the Forum is a priority focus of Ethos' action.

A member of the Collegiate and the Forum's Executive Committee together with another 14 entities, the Institute endeavors to mobilize representatives of different social segments to debate solutions for the region. "Ethos was the missing bridge to initiate dialogue with the entrepreneurial sector acting directly or indirectly in the Amazon," asserts Beto Veríssimo, a researcher for Imazon, one of the organizations on the Forum's Executive Committee.



Established as a setting for dialogue among companies, governments and organizations in civil society, the Forum fosters the creation of alternatives for the sustainable development of the Amazon. To this end it seeks to promote cooperation and mobilization of different segments of society in connection with subjects identified as central by the plenary meeting establishing the Forum. Among them are the construction of commitment to good productive practices and stimulating scientific and technological development benefiting sustainability. Debates are organized in eight online work groups. Inclusion is open to both Forum signatories and any civil society organization, social movement, academic or research entity and public or private company interested.

#### **A MARKET ISSUE**

Another priority initiative for Ethos, linked by Our Sao Paulo Movement and Sustainable Amazon Forum, is Sustainable Connections. It is not possible to halt the devastation of the Amazon as long as there is market demand sustaining depredation. Sustainable Connections was born from the need to adjust a basic market rule: the law of supply and demand. What does the Amazon produce? Who buys these products? In these questions lies the key to solutions, to keeping the rainforest alive, while ensuring the generation of jobs for 21 million Amazonian residents. If there is demand for hardwood in Sao Paulo shops, who

will be able to persuade lumber companies to stop extracting the raw material from the Amazon? However, if demand ceases, the situation will change shape. This logic also applies to all agribusiness, farming and cattle raising. On the basis of simple solutions it is possible to find ways to stop the pressure and the advance of soybean monoculture where rainforest once stood.

The Forum has established direct dialogue with Sustainable Connections, the result of a seminar in October 2008. The event marked the creation of three entrepreneurial pacts involving lumber companies and representatives of the agribusiness (soybean) and farming and cattle-raising sectors, as well as the Sao Paulo municipal administration.

These pacts seek to produce an inventory of what products bought by Sao Paulo city hall were produced in the Amazon. Research carried out in 2008 by two NGOs (Repórter Brasil and Papel Social Comunicação) shows that Sao Paulo State purchases 23% of all the wood taken from the Amazon Rainforest. Research

## environment

They are: AMCE Sustainable Business; Hydrographic Basin Committee of Paraiba do Sul River; Forestry Foundation; SOS Atlantic Forest Foundation; GPMAI (Group of Environment Professionals in Paraiba Valley Industry); Oikos Institute for Agroecology; Tomie Ohtake Institute and Votorantim Celulose e Papel.

is based on official data obtained from the Forestry Directorate at Ibama (Brazilian Institute for the Environment and Renewable Natural Resources).

For Ethos, Sustainable Connections provides an opportunity for objective linking of the concepts of sustainable city and sustainable Amazon. The project also favors transparency of companies' roles in this purchase-and-sale relationship. In this area, controls of the respective value chains have become an urgent matter.

Today, any company wishing to supply products or provide services to Wal-Mart Brazil must obligatorily comply with commitments established by sector pacts," attests Daniela de Fiori, Wal-Mart Brazil's vice-president for corporate affairs and sustainability. This is one of the companies that has internalized new trade practices and reviewed all contracts for the supply of products, to align them with Sustainable Connection's principles.

#### PARAIBA VALLEY ECOLOGICAL CORRIDOR

A partnership between Ethos and another eight organizations led to the Paraiba Valley Ecological Corridor, whose objective is the environmental, economic and social reclamation of this region, located in upstate Sao Paulo. The project endeavors to align conservation of biodiversity and local economic development. The aim is the recovery of 150 thousand hectares of forest between Serra da Mantiqueira and Serra do Mar, involving companies acting in the region.

"In environmental matters, the approach to entrepreneurial responsibility still leads to a lot of conflict, taking into account the companies' difficulty in understanding and adjusting. This leads to tricky situations, where Ethos' ability to mediate and help design solutions will be very valuable," is the evaluation of Adriana Ramos, representative of ISA (Socio-Environmental Institute).

# Still not very green

Ethos does not yet possess an internal environmental policy. With respect to minimizing the environmental impact of its actions, initiatives are dispersed and, in general, not institutionalized. An inventory of Ethos' carbon emission has never been carried out, and controls of the use of electric energy are restricted to consulting the consumption indicated in electricity bills.

Without measuring such impacts, it is impossible to set up plans of action and targets for reduction. However, there have been some advances, such as the use of recycled paper and awareness-raising among the internal public in connection with consumption of paper, water and energy.

## Objectives 2009

- To expand the Sustainable Connections initiative to other cities
- To pressure public powers to inspect "products" from the Amazon more efficiently

#### 2008 Conference: recycling in figures

- 936 GLASS BOTTLES
- 310 KILOS CORRUGATED CARDBOARD
- 204 KILOS MIXED CARDBOARD
- 175 KILOS OF PLASTIC (PET, BAGS AND POLYPROPYLENE)
- 35 KILOS OF TETRA PAK
- 22 KILOS OF MAGAZINES
- 2 KILOS OF ALUMINUM CANS

Ethos has still not incorporated internally the same environmental concern is calls for in projects developed with other organizations. This matter must gain greater relevance in the Institute

The Institute encourages the use of public transport, rationalization of the use of taxis, and employees' habit of giving each other lifts to events. It is currently searching for alternatives to reduce the number of publications printed.

According to the materiality matrix prepared for this Report, the Institute's stakeholders considered the environmental impact of Ethos' premises insignificant, as also the manner in which matters such as the production of waste and the consumption of electricity and water are managed. However, interested parties heard out in panels did consider reporting environmental aspects related to events such as the International Conference relevant, because of its size.

uses organic foodstuff and utensils produced by community enterprises. Since 2006, Ethos has set up partnerships with entities that collect solid residues after Conference activities are over, and weigh it (see chart with figures for 2008).

The objective for 2009 it to reduce total solid waste produced during the Conference. At the time of writing this Report, in May, targets had still not been set. There is also an effort to use fewer materials that generate waste that is harmful to the environment. Ethos also intends to measure carbon emissions stemming from the Conference as of 2009. Targets for reduction in this area can only be set after the first inventory.

#### THE INTERNATIONAL CONFERENCE

Because it is the Ethos project with the most visibility and environmental impact, the International Conference has received special attention in connection with action to minimize its impact. Although still far from ideal, we have the objective of improving, year by year, environmental work not only during that event but also at other gatherings, lectures and meetings organized by the Institute.

Since 2006, Ethos has been using suppliers who help meet this target. Printed matter distributed to participants and gifts given to lecturers, for example, are made of recycled materials. The catering service, in turn,

### Objectives 2009

- To measure emissions of greenhouse gases as of the International Conference
- Reduce solid waste produced at the event

# reporting process



Ethos Institute's and UniEthos' first Sustainability Report was based on GRI (Global Reporting Initiative) guidelines, which is a first for a Brazilian civil society organization of public interest. Material subjects and their priority for this publication were determined by means of a materiality matrix (see chart) resulting from consultation panels with our stakeholders. We identified our strategic publics and engaged them throughout the process with the support of BSD Consulting.

The firm of Report Comunicação was hired to prepare the contents. A total of 78 interviews were carried out, 29 with the internal public and 49 with the external. Additionally, the different stages of reviewing the contents of the Report were preceded by rounds of consultation of the Institute's internal team, which contributed actively to the construction of this Report and adherence to the principles extolled by GRI. The intention was to make this Report a communication tool capable of reaching all our different strategic publics.

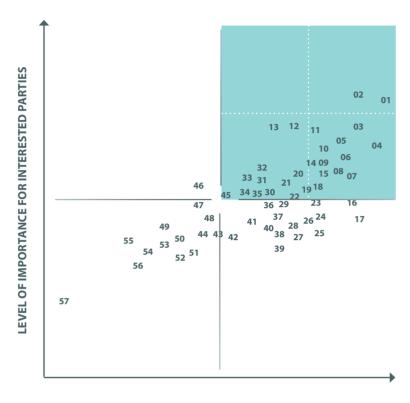
11 The events reported on, as well as the financial information on Ethos and UniEthos, refer to the period from January 1st to December 31st, 2008. 39 However, as it is our first Sustainability Report, the publication also includes part of the organizations' history, for the purpose of describing the context of action developed throughout last year based on the history of Ethos Institute's action since 1998 and UniEthos' since 2004.

The purpose is for this reporting process to contribute to both organizations' incorporation of systematized forms of measurement of their social, environmental and economic performance.

37 Although they do not yet possess mechanisms for ongoing measurement of their degrees of inclusion, Ethos and UniEthos know that they influence society, other NGOs, the government and member-companies, because of their action and the work developed to meet their Mission. 36 Boundaries are described throughout the report. 33 The two organizations strive to comply with the principles extolled by GRI to ensure the quality of the reporting process, such as accuracy, balance, comparability, clarity and reliability. The target is to report on the two organizations on a biennial basis.

In all, 25 of the 79 performance indicators were answered. Of these, 3 were environmental, 19 social and 3 economic. Eighteen are core and 7 are additional. Some of the material indicators were left unanswered due to the lack of a systematized process for data collection, pointing to an opportunity for improving our management. Ethos self-declares that this is a level C report. The contents were submitted to a group of six experts who gave their opinions (see full version on page 78). Contributions will be used as lessons learned on management change and as the foundation for the next publication.

## **Materiality matrix**



## LEVEL OF IMPORTANCE FOR THE COMPANY

## **SPECIFIC TOPICS**

- 1. Accountability
- 2. Transparency
- 3. Composition of highest governance body and Councils
- 4. Criteria for accepting sponsorship
- 5. Engagement with stakeholders
- 6. Criteria for membership selection and application
- 7. Participative management
- 8. Financing model
- 9. CSR risk management in chain of members, clients and sponsors
- 10. Strategic planning
- 11. Position regarding public policies
- 12. Linkage with other organizations and entities
- 13. Linkage for public policies
- 14. Satisfaction of members and clients
- 15. Compliance with laws and regulations
- 16. Organizational climate management
- 17. Ratio of salaries (to gender)
- 18. Programs and projects
- 19. Human rights

- 20. Diversity management
- 21. CSR action (Corporate Social Responsibility) in the supply chain
- 22. Management of linking and mobilizing agents
- 23. Distribution of financial resources
- 24. Professional development
- 25. Code of Conduct
- 26. Attraction of members and clients
- 27. Policy for remuneration, promotion and career
- 28. Environmental impact management (considering courses and events)
- 29. Ethos and UniEthos Charter of Principles
- 30. Report of activity with sponsors and members
- 31. Contribution to eradicate child labor
- 32. Contribution to abolish slave labor
- 33. Relations with partners (sector, regional, national and international)
- 34. Criteria for assessment and selection
- 35. Description of policies for dealing with Human Rights
- 36. Knowledge management
- 37. Turnover

- 38. Marketing communication
- 39. Relations with UniEthos instructors
- 40. Policies for dealing with and evaluating Human Rights
- 41. Privacy policy
- 42. Risk management
- 43. Initiatives to reduce emissions
- 44. Material consumption and recycling
- 45. Policies and practices of partnership
- 46. Relations with journalists
- 47. Procurement policies and processes
- 48. Occupational health and safety
- 49. Policies regarding climate change
- 50. Policies, practices, and spending on local suppliers
- 51. Waste management
- 52. Energy consumption
- 53. Relations with students, professors and teaching establishments
- 54. Environmental impact management (considering premises)
- 55. Indirect economic impact
- 56. Initiatives to reduce water consumption
- 57. Relationship with nearby community

## reporting process

## Commitment with Global Compact 49

Ethos Institute is committed to the dissemination of Global Compact's principles. It develops measures to encourage member-companies and the market to incorporate them. In its practices, Ethos committed to adopt the ten basic principles, divided into the areas of human rights, labor standards, environmental protection and anti-corruption. The 2008 Sustainability Report for Ethos Institute and UniEthos follows Global Reporting Initiative (GRI) guidelines, reporting on its performance in the social, environmental and economic spheres. Actions carried out in 2008 to promote the Compact are listed under GRI Contents (see chart on page 73). Global Compact's ten principles are beside.

## **Human Rights**

- 1. Support and respect the protection of human rights
- 2. Make sure that they are not complicit in human rights abuses

## **Labor Standards**

- 3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
- 4. Uphold the elimination of all forms of forced and compulsory labor
- 5. Uphold the effective abolition of child labor
- 6. Uphold the elimination of discrimination in respect of employment and occupation

## **Environment**

- 7. Support a precautionary approach to environmental challenges
- 8. Undertake initiatives to promote greater environmental responsibility
- 9. Encourage the development and diffusion of environmentally friendly technologies

## **Anti-Corruption**

10. Work against corruption in all its forms, including extortion and bribery

			С	C+	В	B+	A	A+
Standard Disclosures	es	G3 Profile Disclosures	Report on: 1.1; 2.1 - 2.10; 3.1 - 3.8, 3.10 - 3.12; 4.1 - 4.4, 4.14 - 4.15;	ured	Report on all criteria listed for Level C plus: 1.2; 3.9, 3.13; 4.5 - 4.13, 4.16 - 4.17	ssured	Same as requirement for Level B	
		G3 Management Approach Disclosures	Not Required	Externally Assu	Management Approach Disclosures for each Indicator Category	Externally Ass	Management Approach disclosed for each Indicator Category	Externally Assure
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment	Report Ext	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility	Report Ext	Respond on each core G3 and Sector Supplement indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission	Report Exter	

## **GRI – Table of Contents**

Indicators	Correlation with Global Compact principles	Page/Information
Strategy and analysis		
1.1. Statement from the most senior decision maker		2; 3
1.2. Description of key impacts, risks, and opportunities		25
Organizational profile		
2.1. Name of the organization		Ethos Institute – Business and Social Responsibility, and UniEthos – Education and Development of Socially Responsible Management.
2.2. Primary brands, products, and/or services		4; 5
2.3. Operational structure		13
2.4. Location of organization's headquarters		Sao Paulo – SP – Brazil
		57
2.5. Countries where the organization operates		Ethos operates in other countries through partnerships, such as Latin American Corporate Social Responsibility Program (PLARSE). UniEthos has no operations abroad.
2.6. Nature of ownership and legal form		14
2.7. Markets served		57
2.8. Scale of the reporting organization		8
		14
2.9. Changes during the reporting period		In 2008, there was change in the organizational structure, with creation of three executive managements – institutional operations; development and orientation; and communication and mobilization – and three advisory bodies – press; international relations; and public policy. A new governance model was approved and started to be implemented.
		12
2.10. Awards received in the reporting period		In 2008, <i>Tear</i> Project won <i>'Faz Diferença'</i> Award, in category "Social Reason", presented by O Globo newspaper. The award is intended to recognize the initiatives contributing the most to changing the country.
Report Parameters		
Report profile		
3.1. Reporting period for information provided		70
3.2. Date of most recent previous report		This is the first Ethos Institute and UniEthos Sustainability Report.
3.3. Reporting cycle		The report will be published on a biennial basis.
3.4. Contact point for questions		atendimento@ethos.org.br. atendimento@uniethos.org.br
Report scope and boundary		
3.5. Process for defining report content		33
3.6. Boundary of the report		70

## process

3.7. Specific limitations on the scope	70
3.8. Basis for reporting	70
3.9. Data measurement techniques and the bases of calculations	70
3.10. Explanation of the effect of any re-statements	As this is the first report published, there are no
3.11. Significant changes from previous reporting periods	limitations or re-statements which would significantly affect the understanding by our audiences.
GRI Content Index	
3.12. Location of standard disclosures	73
Assurance	
3.13. External assurance	There was no external assurance.

Governance, Commitments and Engagement		
Governance		
4.1. Governance structure	1-10	19
4.2. Identification of the highest executive officers		17
4.3. Independent and/or non-executive members		18
4.4. Mechanisms for recommendations to the highest governance body	1-10	19
4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided		18
4.7. Process for determining the qualifications and expertise of the members of the highest governance body		18
4.8. Internally developed statements of mission or values, codes of conduct, and principles	1-10	4; 21; 22; 24
4.12. Externally developed principles and initiatives	1-10	72
Stakeholder engagement		
4.14. List of stakeholder groups	to disseminate corporate	32;
4.15. Basis for identification and selection of stakeholders		32; 34
4.16. Stakeholder engagement		28; 33
4.17. Key topics and concerns raised through stakeholder engagement	sustainability concepts, help propagate the 10 Global Compact principles	35

Performance Indicators		
Economic Performance Indicators		
EC1 Direct economic value generated and distributed		26
EC4 Significant financial assistance received from government		Ethos Institute and UniEthos do not accept funds stemming from the national public budget. Public companies may become members. In that case, Ethos affords public and private companies the same treatment.
EC5 Range of ratios of standard entry level wage compared to local minimum wage	1	36 On December 31, 2008, entry level salary was 2.44 times higher than the local minimum wage (R\$ 450).

Environment – Management approach		
Environmental Performance Indicators		
EN22 Total weight of waste by type and disposal method		69
EN26 Initiatives to mitigate environmental impacts	7; 8; 9	69
EN28 Fines and total number of sanctions for noncompliance with laws	8	Ethos Institute and UniEthos received no fines or sanctions.

Social Performance Indicators		
Labor practices		
LA1 Total workforce by employment type, employment contract, and region		37
LA2 Total number and rate of employee turnover by age group, gender, and region	6	38
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees		36
LA4 Percentage of employees covered by collective bargaining agreements	1; 3	100% of employees are covered by collective bargaining agreements.
LA9 Health and safety topics covered in formal agreements with trade unions	1	Ethos and UniEthos agreements with trade unions do not cover health and safety topics.
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		Training and qualification programs include internal courses and financial aid for external qualification.  Dismissal and retirement processes take age and length of service into account.
LA12 Employees receiving regular performance and career development reviews		Ethos and UniEthos currently provide no performance review, but the Committee for Internal Social Responsibility and People Management set up performance analyses as their targets.
LA13 Composition of governance bodies and breakdown of employees per category	1;6	38
LA14 Ratio of basic salary of men to women by employee category	1;6	37

Human Rights – Management approach		
Human Rights		
HR1 Description of policies and guidelines to manage all human rights aspects	1; 6	There are human rights clauses in all sponsorship agreements, concerning child labor and compulsory labor.
HR6 Measures taken to contribute to the elimination of child labor	1; 2; 5	There are no operations at risk of child labor in Ethos Institute projects. Clause Six, items 6.1 and 6.2, provides that all sponsoring companies shall comply with existing laws prohibiting labor by under-16, and they should comply with the Statute of the Child and Adolescent – Law 8069/90, article 67.

# reporting **Process**

HR7 Measures taken to contribute to the elimination of forced or compulsory labor	1; 2; 4	In 100% of sponsorship agreements, Clause Six (item 6.3) approaches Fight against Slave Labor.	
Society Management approach		approaches Fight against Slave Labor.	
Society – Management approach			
Society			
SO4 Actions taken in response to incidents of corruption	10	49	
SO5 Public policy positions	1- 10	Ethos' action focus concerning public policy encompasses the following topics: human rights, environment, corporate social responsibility, and legal framework for the market. In addition, the organization dialogues with stakeholders to contribute for improvement of effective mechanisms to participative democracy.	
SO6 Contributions to political parties, politicians, and related institutions	10	Ethos Institute and UniEthos make no contributions to political parties.	
SO8 Monetary value of significant fines and total number of non-monetary sanctions		Ethos Institute and UniEthos received no fines or sanctions.	
Product – Management approach			
Responsibility for the product			
PR5 Practices related to customer satisfaction, including results of surveys		53	
PR6 Programs for adherence to laws, standards, and voluntary codes		Ethos Institute and UniEthos develop their projects and contracts according to the Charter of Principles, which provides for internal procedures and those with member-companies, and for the Code of Relations with Partners.	
PR9 Fines for noncompliance with laws and regulations concerning the provision and use of products and services		Ethos Institute received two administrative reports of infraction from the Sao Paulo municipal government concerning Services Tax (ISS/1998 and 2000). They refer to tax dispute referring to 2004 and 2005 and, in 2008, final administrative decision was contrary to Ethos, which paid the debt in 2009.	

## Ethos Institute's and UniEthos' objectives and commitments

Chapter	Subject	Page	Our objective	Our commitment
	Governance	17-19	Ethos & UniEthos are aligned with the international trend to seek a management model suitable for their needs.	To advance in the approval of internal rules for Governance, which is being discussed by the Steering Committee.
Values, transparency and governance	Ethics	20-22	To set up an Ethics Committee to function as a step to legitimize decisions made in cases of member-companies' non-compliance with the Charter of Principles.	To advance in 2009 in the formation of the Committee, to comprise representatives of society to act in a voluntary and independent manner.
	Employees	24	To expand benefits to employees & dialogue channels with the internal public, as well as reassessing action in the People Management area.	The objective for 2009 is to conclude the new Policy for People Management.
Engagoment	Engagement	31	To integrate different networks (entrepreneurs, journalists and academic public).	To set up an online tool for the interaction of mobilization networks.
Engagement of stakeholders	Member- companies	32	To improve communication channels with member-companies, creating an atmosphere for more systematic dialogue and exchange of information.	One of the main objectives is to structure the communications area. This was started in 2008 by restructuring the Institute's website.
Suppliers	Suppliers	42-44	To strengthen the relationship with suppliers, which are strategic partners for dissemination of CSR.	The objective for 2009 is to design and implement a policy to guide development of work with suppliers, focusing on work with their respective value chains.
Government & society	Government & Public Policies 64; 65		The close relationship with public bodies has led to positive results for Ethos, member-companies and government concerns themselves. Ethos Institute's influence on entrepreneurs strengthens the scope of public policy.	This year Ethos intends to participate in debates on the economic crisis and on public policy that may influence companies' socially responsible behavior, and redirect public and private investment towards sustainable development.
Environment	Environment	69	To Improve, year-by-year, action to minimize environmental impact.	At the Institute's main event, the International Conference, the objective is to measure emissions of greenhouse gases and, as of 2009, reduce the quantity of solid waste produced.

## Specialists' opinions

### SPECIALIST FROM ANOTHER ENTITY REPRESENTING BRAZILIAN SOCIETY

The Sustainability Report was right to broach the subject of the National Pact for Eradication of Slave Labor and its importance for Ethos to meet its institutional goals. However, it did not go far enough into the process of putting the Pact together, and it would be very rich to discuss the organization's relationship with member-companies and companies that are not members – given that both groups took part in the dialogues leading up to the creation of the Pact. It must be remembered that National Pact linkage agents have acted as an instrument for attracting new members for Ethos, at the very threshold.

This is also true of the process of construction of Sustainable Connections and its pacts, which was different to the process for the National Pact, but just as rich.

Another point not gone into deeply is the impact of the results of the National Pact for Eradication of Slave Labor on Ethos as an entity (image, policy, positioning). The Report was right to choose the case of Grupo José Pessoa (excluded from the National Pact after having been discovered using slave labor) because it is a significant instance of the challenges in the relationship with member-companies and their interests. But other cases could have been brought to the limelight, to illustrate other matters such as, for example, the behavior of certain membercompanies who deny the existence of slave labor in their value chains, which caused discomfort in their relationship with Ethos.

In other words, the Report would foster a discussion that is key to the Institute and present in the Report: how to act in an independent and ethical manner when the very membercompanies can be agents for negative impacts.

> Leonardo Sakamoto Repórter Brasil

### SUSTAINABILITY SPECIALIST FROM A MEMBER-COMPANY

It is with great satisfaction that I receive the latest version of the organization's Sustainability Report. Ethos has distinguished itself once again and maintains its leading role by being the first non-governmental organization in Brazil to draft its Report in the GRI mould.

Also worthy of admiration is that already in its first Report, the processes of engaging stakeholders in the identification of material subjects have been performed. I note that these processes were extremely important so as to ensure the quality of the Report and the transparency we see throughout the text.

In this sense, I notice that there are some possibilities for improvement regarding the description of the models for management and governance of the Institute. Even though the roles of the General Assembly and the Steering Committee were reviewed in 2008 and included in the Report, it would be important to describe the management model more explicitly. Among other aspects, the process by which the General Assembly elects the Steering Committee is not described, nor is how the Steering Committee elects the Institute's Board and defines the membership of the other councils, as well as mandates and procedures.

Another point that could be better developed is detail of sponsors, who are cited as key agents and agents for high engagement in the map of stakeholders. This pillar would gain transparency if all sponsored events and sponsors were mentioned, as well as the values of sponsorship, bearing in mind that this is equivalent to a significant 53% of the Institute's budget.

Finally, where we see that "Ethos Institute will increasingly adopt a role of linking agent in the induction of public policy", a detailed description of the process of relationship with public power becomes most important. Even if reported, some points are not evident. A description of the Steering Committee's role in this light or even the Institute's position-taking with regard to political lobbying could be better explained.

Once again I thank for this opportunity to collaborate and renew my confidence that the Report will be very well received by society.

Rodolfo Guttilla Natura

## Specialists' opinions

### **SPECIALIST FROM A PARTNER-ENTITY**

Ethos' request for me to read their first Sustainability Report and give my opinion was a great opportunity for me. I say this because, rather than a report, this is an historic document of enormous importance to the country and for the movement to strengthen CSR worldwide.

My immersion in this universe of Ethos' was a lesson. Learning about the details of its history, moments and actions of which I have witnessed through different partnerships.

The Report catches one's attention instantly, due to its zeal for the transparency of information explaining its fragility, difficulties experienced, lessons learnt and the possibilities for the organization's future improvement.

A register such as this will surely serve as a lesson and an inspiration for other entities also seeking ways to innovate and improve their management and communications mechanisms.

Commitments made – and made public by means of this instrument – for Ethos' action as of 2009 are daring, but coherent with challenges identified in the organizational, economic and global environments, with the perspective of construction of a more sustainable world.

Also outstanding, is the central place taken by the subject of sustainability (and resulting practices) in the ground covered in Ethos' history, demonstrating the strong connection between the organization and the great questions to be worked upon in our planet, in the perspective of the construction of a possible world.

I would like to stress the question of gender, which is addressed in the Report, as a critical issue requiring special attention.

In addition to the contradiction between the number of women working for the organization and the small number present in management positions and in the Steering Committee, pointed out in the Report under the subject of "diversity", one matter requiring immediate action becomes evident: difference in salary according to gender.

Surely, after a fact such as this has been spotted and published, this deformation will be put right by the people management area, even because it is one of Global Compact's principles "(eliminate discrimination in the workplace").

May I conclude this opinion by congratulating Ethos Institute on this initiative, on the presentation of results in the form of a Sustainability Report and, once again, on being at the forefront, helping demonstrate it is possible and necessary to follow the path of transparency, ethics and responsibility.

Larissa Barros

Social Technology Network

### **SPECIALIST FROM A PARTNER-ENTITY**

This Report, governed by transparency, with concrete facts and dilemmas experienced, as well as the statements of the parties involved, is a pioneering initiative of Ethos Institute's, unique in Brazil. It thus deserves support and its continuity, encouragement.

Top administration's position is sincere and motivating. It addresses challenges, tackles difficulties and commits itself to stimulating the development of Brazil.

The annual evolution of quantitative data is well explained and put in context, as well as being accompanied by goals whose compliance with must be published in the next version.

Upon stating that GRI guidelines were used not as a checklist but as a commitment to future improvement, Ethos Institute strengthens the understanding that rendering accounts to the different stakeholders is an evolutionary process, and not an end to itself. This said, it is believed that there is room for some improvements, such as:

- reduce the size of the Report, with greater focus on material issues;
- supply supplementary information (such as the full text of the Charter of Principles, a description of different initiatives, etc.) in an online version;
- clear treatment of matters not addressed to interested parties by the Report at this time;
- address possible additional references to the complete links;
- focus on material questions, which should not exceed four or five matters in the materiality matrix.

Clarissa Lins

Brazilian Foundation for Sustainable Development (FBDS)

## Specialists' opinions

## **BRAZILIAN SPECIALIST IN GRI'S STAKEHOLDER COUNCIL**

A stance in search of transparency is evident throughout the document, which might have placed greater emphasis on the subjects of risk management and intangible assets. This is an atypical Report due to its wide recapitulation of activities, and it is not clear whether it has been decided to bring out annual reports as of 2009.

It was not possible to identify who the General Assembly comprises, or how many members it has. The Fiscal Council could act more independently if its members were appointed by the General Assembly. It would be vital, in terms of transparency and risk management, to have an independent external auditor's opinion of financial statements.

Carlos Eduardo Lessa Brandão

Brazilian Institute of Corporate Governance (IBGC)

### **BRAZILIAN SPECIALIST IN GRI'S STAKEHOLDER COUNCIL**

Ethos' first Sustainability Report is a milestone for Brazilian society, where there is still no established culture among NGOs for reporting in line with GRI patterns.

Its most outstanding point is the establishment of a broad participative process, which is just as important as results, if not more so. The process involved setting up an internal committee, presential meetings with the team with ongoing opportunities for feedback, multi-stakeholder panels, 49 external interviews and consultation with the International Council. Other points to highlight: survey of material subjects; transparency in connection with some relevant dilemmas, such as the involvement of member-companies and a Council member in reports of slave labor; diversity in the team and top management; public positions in critical matters; among others. The choice of level C was also a laudable recognition that the Institute still has a long way to go, for example, setting up internal management policy.

As areas of opportunity, I would highlight the quest for improvement of internal performance indicators, with plans of action and establishing clear objectives for improvement, as well as the critical analysis of these indicators in the face of Brazilian actuality and the context of sustainability. It would be very positive if, in the next Report, society were able to see clear advances in relevant areas such as, for instance, establishing policies, processes and indicators for management of the environment and human rights, greater clarity and enhancement of criteria for defining the structure of governance, verification by third parties, among others.

I congratulate Ethos for taking another stride forward and setting an example of transparency, which contributes meaningful advances in the process of sustainability reporting in Brazil.

Tarcila Reis Ursini

Ekobé, GRI Stakeholders International Board – former staff-member

## membership of councils in 2008

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