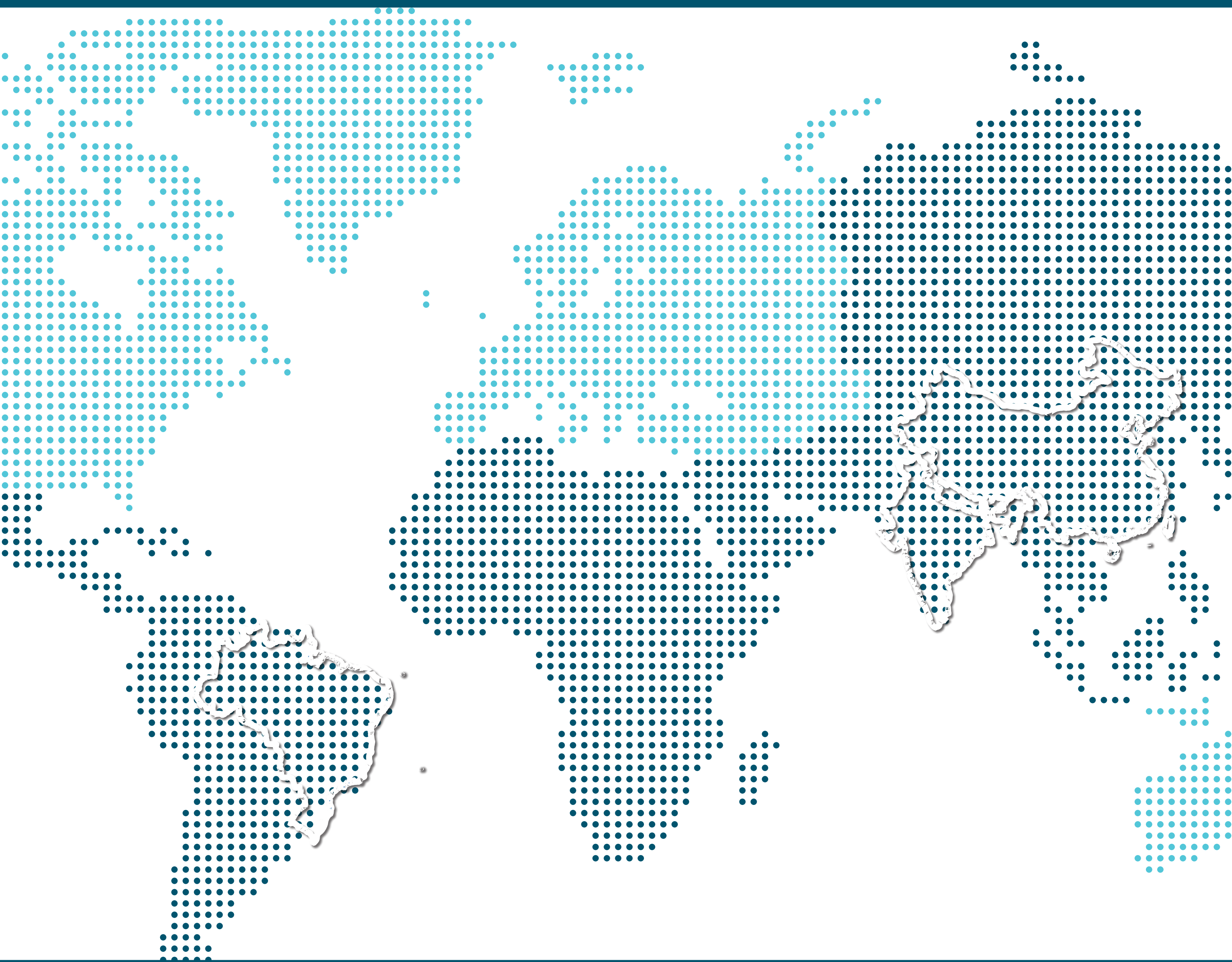
# NEW GEOGRAPHIES OF CORPORATE SUSTAINABILITY

## EMERGING MARKET PERSPECTIVES FOR RIO+20



**DISCUSSION PAPER**

Global Compact LEAD

BSR

# About this Report

This discussion paper is based on insights gathered during three workshops held in Beijing, Mumbai, and São Paolo, from March to May, 2012.The workshops were organized by the Global Compact LEAD in cooperation with Business for Social Responsibility (BSR) and the Global Compact Local Networks in China, India and Brazil and convened business practitioners from diverse industries, government, and civil society[1]. Insights from the workshops were supplemented by a literature review and telephone interviews with a select number of key opinion formers working in business, government, and civil society organizations.

The UN Global Compact Office and BSR would like to thank the Global Compact Networks in China, India and Brazil, corporate sponsors, workshop participants and interviewees for their important contributions. Special thanks go to the following LEAD companies for their input throughout the process: A.P. Moller-Maersk, Novo Nordisk, and Novozymes. Additionally, the authors would like to thank COSCO Group and Tata Steel for their generous support hosting and contributing to the workshops in Beijing and Mumbai.

Any errors that remain are those of the authors.

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## ABOUT GLOBAL COMPACT LEAD

Launched in January 2011 to drive innovation and quality of performance among participants of the UN Global Compact, Global Compact LEAD recognizes the critical need to support UN Global Compact participants to achieve higher levels of corporate sustainability performance – as outlined in the Global Compact's *Blueprint for Corporate Sustainability Leadership*. LEAD participants share a commitment to implement the Blueprint and willingness to lead the Global Compact with strong engagement at the global and local levels. LEAD currently has 56 participants representing all regions of the world.

## ABOUT BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

## Disclaimer



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[1] Please see the appendix for a list of organizations that attended each workshop.

# Contents

# Introduction

Today's pressing sustainability challenges, made more acute by rapid population and economic growth, must be addressed with solutions that harness the innovation and creativity of leaders from around the globe. However, international debate on corporate sustainability (CS) - the private sector's contribution to sustainable development –has largely been dominated by viewpoints and institutions in North America and Europe. The *New Geographies of Corporate Sustainability* project recognizes the critical need to look beyond the usual places and highlight business contributions to sustainable development from emerging and high-growth markets – the 'new geographies'.

In preparation for the discussions at the UN Rio+20 Conference on Sustainable Development, Global Compact LEAD and BSR endeavored to highlight business action on sustainable development from emerging markets. While a comprehensive study of corporate sustainability in all emerging markets was not feasible, dialogues and research were held in three of the largest emerging economies: Brazil, India, and China (the BICs) as an initial exploration. These markets were also chosen because of the strong engagement of companies from these regions in the Global Compact Local Networks and LEAD participant interest in these countries.

Drawing on research and insights gathered from the three Global Compact workshops in China India and Brazil from March-May 2012, this discussion paper asks whether there are specific approaches to corporate sustainability in these countries, how these approaches may influence the current global discourse on and practice of corporate sustainability, and implications for the rest of the world. It is intended to help inform answers to the following questions:

» Is there such a thing as an "emerging market" approach to corporate sustainability? If so, what are the characteristics, and how will the approach evolve?

» How are businesses in these markets equipped to address sustainability challenges and capture related opportunities?

» What opportunities exist for companies to collaborate with stakeholders to innovate and address sustainability challenges in emerging markets? How will collaborative opportunities likely evolve in the future?

Relevant insights from this paper will be integrated into discussions at the UN Rio+20 Conference on Sustainable Development in June 2012. As a discussion paper, it is intended to provoke and enrich ongoing dialogue between business, government, and civil society on corporate sustainability in emerging markets more generally.

Key Insights from Beijing UN Global Compact LEAD Workshop, March 28, 2012

Participants' views on Chinese "characteristics" of CS:

- *Government is key*—when talking about partnerships for CS, government is always seen as the most important partner, despite increasing recognition of the need for a more inclusive stakeholder approach.
- *It's disjointed*—companies are not connecting the dots in terms of sustainability benefits derived from operational improvements, community development activities, and new product/ service development.
- *It's about environment and corruption*—or more specifically, addressing energy efficiency issues, pollution, and corruption scandals, since these are paramount on the government agenda.

## Corporate Sustainability in China

During the first Global Compact LEAD workshop held in Beijing, China, on March28, 2012, participants shared their views on corporate sustainability (CS) in the Chinese context, the trends they see, and how companies are approaching CS. The key themes emerging from the session, validated through a select number of telephone interviews and supplementary secondary research, are outlined below.

## The enabling environment for corporate sustainability in China

### » Government increasingly concerned about balanced, sustainable growth

Those engaged for this paper stress that the Chinese government has played, and will continue to play, a vital role in shaping how companies contribute to sustainable development. This is particularly the case for State Owned Enterprises (SOEs)—121 are controlled directly by the government, with thousands more run by lower level authorities[2]. However, this also holds true for private companies and increasingly for foreign companies operating in China which are expected to align their sustainability efforts with Chinese government policies[3]. The growth in corporate reporting on sustainability by SOEs has been driven in large measure by the publication of the State-owned Assets Supervision and Administration Commission (SASAC's) CSR guidelines (2006), requiring all SOEs to publish CSR reports by the end of 2012. Up to 2006, the reporting landscape in China had been dominated by MNCs—by 2010, SOEs accounted for 78 percent of all companies releasing CSR reports[4].

The drivers behind government support for increased transparency on CS are a complex blend of wanting to promote Chinese soft power abroad to secure market access for Chinese goods and services and addressing pressing domestic sustainable development challenges. These domestic challenges include the need to address the increasingly acute (and visible) environmental effects that rapid economic growth has had on the country, including air and water pollution. While national regulation and government discourse underpinned by the Harmonious Society construct (first elucidated in 2005) emphasize the need for balanced growth, there are clear challenges in effective implementation given that local governments are primarily focused on economic growth and job creation. As a number of participants at the workshop also noted, "there are many Chinas in China,"—its sheer size and diversity ensures lop-sided adoption and implementation of regulation geared towards promoting sustainable development.

### » An evolving civil society

An independent civil society in China is still, at best, nascent. The sector is hampered by high administrative hurdles and associated set up costs[5]. Government-organized NGOs (GONGOs) have traditionally dominated the non-profit sector due to favorable regulations and government sponsorship—they continue to be the partner of choice for corporations in relation to traditional philanthropic endeavors. The Sichuan earthquake from 2008 helped to change this prevailing situation to a certain extent—grassroots non-profits gained credibility among the public through their responses to the disaster, and their ability to mobilize action quickly[6].

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[2] The Economist, June 2011, "*The Long Arm of the State*," http://www.economist.com/node/18832034
[3] *Corporate Responsibility and Sustainable Economic Development in China: Implications for Business*, March 2012, Asia US Chamber of Commerce
[4] Syntao and China Sustainability Report Resources Center
[5] BSR &CiYuan (2011): "*Catalyzing Social Investment in Asia*", http://www.bsr.org/reports/Catalyzing_Social_Investment_in_China_BSR_CiYuan_November_2011.pdf
[6] *ibid*

There has been an increase in the number of groups advocating for increased transparency on companies' environmental performance. The Green Choice Alliance (GCA), described as a "coalition of NGO organizations that promote a global green supply chain by pushing large corporations to concentrate on procurement and the environmental performance of their suppliers, "provides one such example[7]. The GCA's use of a government sourced database to publicly identify factories that fail to meet legal standards relating to the environment is ratcheting up pressure on MNCs sourcing from these factories, in addition to the factories themselves.

### » Consumers increasingly aware of health, safety, and air quality concerns

Chinese consumer attention has been focused on health and safety issues, most notably due to the 2008 melamine milk scandal. Indeed, consumers seem willing to pay a price premium to ensure the food they buy is safe. The media is not shy to "name and shame" companies which cut corners in relation to the health and safety of their products, linking the topic to broader concerns about public and corporate corruption. Awareness for environmental issues is also increasing at the general household level, even if the link has not been made between pollution and corporate action. For example, the PM2.5 air quality standard has become a household name, driven by extensive reporting on air pollution by official Chinese media, coupled with commentary on the issue by noted Chinese celebrities disseminating their thoughts through the Sina Weibomicro-blogging platform[8]. While it is too soon to talk about there being a "green consumer" in China, mainly due to the disjointed nature of the discourse, it is likely that public awareness for environmental sustainability challenges will continue to rise, driven by social media.

## Characteristics of a Chinese approach to corporate sustainability

### » Internal processes and systems to improve performance on government priorities

Participants in the workshop emphasized that companies are focusing a great deal of attention internally on improving compliance management systems, strengthening precautions and supervision, and also creating a reporting system to detail performance improvements. Workshop participants did not differentiate between SOEs and private enterprise in this regard. A review of the content of CS reporting by Chinese companies and MNCs in China[9] highlights strong reference by companies to local labor laws and standards, economic contributions, energy saving programs, anti-corruption efforts, and public policy alignment. It is rare for companies to report their commitments to human rights. This characteristic of focusing on internal processes and systems to improve performance on the aforementioned issues is aligned with government priorities—companies are, in this sense, vehicles to achieve national development objectives.

### » Harmonious development of Chinese society

Responsible business practices in China can be traced back to the country's Confucian roots where virtues of 'righteousness – yi' and 'sincerity – xin' were essential[10]. Today, Confucianism still governs the rules and practices of many relationships between people and society, including business enterprises[11], emphasizing a community approach versus corporate individualism (and short-termism).Thus, a characteristic of Chinese business in its articulation of its role in society is to emphasize collaboration and harmonious development as a long term strategy. More recently, this approach has been underpinned by the rolling out of

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[7] http://www.ipe.org.cn/en/alliance/index.aspx
[8] The China GreentechInitiative, (2012), "*The China Greentech Report, 2011*," http://www.pwc.com.au/consulting/assets/publications/greentech-report-apr11.pdf
[9] Asia US Chamber of Commerce, (March, 2012), "*Corporate Responsibility and Sustainable Economic Development in China: Implications for Business*"
[10] Wang &Juslin (2009), "*The impact of Chinese culture on corporate social responsibility: The harmony approach*," Journal of Business Ethics, 88
[11] Visser&Tolhurst (2010): "The World Guide to CSR"

more standardized processes, systems, and protocols. Thus, for example, Sinosteel's management motto is, "strict, standardized, efficient, meticulous," and its values are, "integrity, innovation, excellence, and harmony"[12]. China Mobile places an emphasis on, "fostering a harmonious community," and, "pushing forward to go global,"[13]—key government priorities which emphasize the raising of living standards for all in a balanced manner. Less emphasis is placed on product and service differentiation through CS. Indeed, articulation of such "strategic CS" in the more "Western" sense of the term would seem to be at odds with the cultural and political context within which Chinese companies have developed. This is not to say that companies are not bringing sustainability products and services to market—China Mobile, for example, provides rural healthcare applications to farmers as a business and societal development strategy in line with its "Mobile Changes Life" ambition[14].

» **Bilateral communication and engagement with stakeholders**

Companies have traditionally played an important role in supporting the nonprofit sector in China—corporate giving made up 58.5 percent of all donations in 2009[15]. Companies typically channel their social investment funds towards GONGOs focusing on poverty reduction programs, partly as a means of building relationships with the government and partly because they generally have greater capacity than smaller social organizations. The relationships between GONGOs and companies tend to be transactional and bilateral in nature. Companies have also established strategic partnerships with higher education institutions in order to gain specific technical knowledge and fund innovation. In recent years, companies have begun to map stakeholder groups beyond government and value chain partners more methodically and have defined communication strategies for these groups, mainly for reputation enhancement purposes.

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[12]Sinosteel website: http://en.sinosteel.com/qywh/qyln/
[13] China Mobile Sustainability Report, 2011: http://www.chinamobileltd.com/about.php?menu=5
[14] *ibid*
[15]BSR &CiYuan (2011): "*Catalyzing Social Investment in Asia.*"

# Corporate Sustainability in India

**Key Insights from Mumbai UN Global Compact LEAD Workshop, April 19, 2012**

Participants' views on Indian "characteristics" of CS:

- *It's local*—the "Indian approach" has to have inclusive growth and sustainable livelihoods at its core, whereby corporations engage at the local community level.
- *It's about profit creation*—value has to be delivered right across the value chain otherwise CS initiatives will not succeed.
- *It takes its cue from big business houses*—the ethics and approach of old, traditional business houses, like Tata Group have a big impact on the Indian approach to sustainability.

During the second Global Compact LEAD workshop held in Mumbai, India, on April 19, 2012, participants shared their views on corporate sustainability (CS) in the Indian context, the trends they see, and how companies are approaching CS. The key themes emerging from the session, validated through a select number of telephone interviews and supplementary secondary research, are outlined below.

## The enabling environment for corporate sustainability in India

### » Government trying to balance mandatory and voluntary CS

The Indian government has played an important role in setting the rules of the game in relation to business' role in sustainable development. The latest 5 year plan, covering 2012-17, includes several aspects of sustainability, as well as inclusive growth. Health, infrastructure, and literacy are high priorities, as is a target growth rate of 9 percent or more. The plan also includes strategies for climate change adaptation, and better waste and water management[16]. On the socio-economic side, the government is committed to investing in rural infrastructure and agricultural productivity, while also seeking to spur job creation through investment in micro-enterprises, education and training. The Indian Parliament continues to debate a bill which includes a requirement for companies to contribute 2 percent of their profits to CSR (defined as "responsible business"). Within India, a debate rages about the role of government in mandating CS, and how the 2 percent requirement, should it be enacted, will be put to practical use. Although the government has been inclusive in its agenda setting process, particularly in relation to the CSR bill, there is concern that this way of doing things—simply putting money on the table—belongs to a bygone era which will not help India leapfrog to a sustainable economy.

### » Critical mass of civil society, but limited coherence

Indian civil society, in contrast to China's, is fully grown. In total, there are over 3 million NGOs in India, many of which tend to be skeptical of business. This large community of actors is very local, fragmented, and hampered in its potential for positive impact by a lack of coordination and resources. For some, an analogy to the NGO sector being akin to, "1000 flowers blooming," represents huge opportunity for civil society to innovate and explore new models of collaboration with business. To others, this situation creates chaos which will never settle, thus hindering pan-Indian movements which could solve seemingly intractable problems.

### » Limited market pressure

In India, evidence of nascent investor pressure for sustainable investment can be seen in a recent ESG index on India's national stock exchange. The index, which was launched with support from Standard &Poor's and the International Finance Corporation, tracks 50 of the best performing stocks. Indian companies that are looking to list on foreign stock exchanges are particularly attentive to investor expectations on corporate responsibility practices[17]. Also, there is growing interest

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[16] Indian Planning Commission, Five Year Plans: http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html

[17] Ethical Corporation (2010): "*India Briefing Part 2: Companies and Challenges – the Business of Aspiration*" http://www.ethicalcorp.com/communications-reporting/india-briefing-part-2-companies-and-challenges-business-aspiration

in ESG risks and opportunities among India's foreign institutional investors, who include major investment banks and large pension funds[18].

From the research, it is apparent that awareness about CS is low among consumers, who seem very price sensitive—only a few are willing to pay a premium for more sustainable products. An exception is the rise of energy efficiency labelling which has been embraced by many Indians due to its more immediate cost benefits.

## Characteristics of an Indian approach to corporate sustainability

### » Confronting local challenges to acquire license to operate

India's "approach" to CS is anchored towards addressing social issues, such as social injustice and poverty, at the local level. Health and education infrastructure gaps continue to be profound in the poorest Indian states (those in the center and north of the country), and traditional business houses, including the TATA Group, are expected by society to take on a paternalistic role to fill them. Thus, CS programming typically has health and education at its core and is what one might call, "development focused". Companies are exploring ways to realize operational efficiencies in their approach to giving back to, and developing, local communities. For example, a number of India's large utility companies have created their own corporate foundations as part of a disintermediation strategy to work directly with grantees in specific locales versus going through an intermediary organization.

Although national, cross-sectoral, attention has recently been focused on anti-corruption (catalyzed by campaigner Anna Hazare), such "pan-Indian" movements are rare—far more common are local, often bilateral initiatives which seek to address specific local challenges through corporate giving and partnerships. Invariably these initiatives and programs are driven by Indian companies' desire to acquire local license to operate. Environmental concerns, especially in relation to energy generation and water use/availability appear to be an increasingly important component of the Indian CS agenda. As with social issues, they tend to be viewed through the prism of acquiring local license to operate.

### » Business innovations for those in the lowest socio-economic strata

There is a transition taking place in the discourse relating to CS in India. Key opinion leaders from TERI, the Confederation of Indian Industries, and TATA Group, among others, are discussing the value of "transformative CSR" and the need to "leapfrog" to transformative solutions, which can unleash India's competitive potential in relation to bringing new sustainable solutions to market. One can point to a number of companies (both domestic and international) which are taking this advice on board by exploring new business opportunities which focus on product and process innovations for the poorest socio-economic strata. For example, Unilever's Purell solution was developed as a domestic non-electrical water purifier and now delivers clean drinking water in a cost effective manner, while also reducing the incidence of water-borne illness. This product innovation has also been "blown back" to more developed markets. In this sense, India incubated a sustainability product and process innovation which has application in other markets outside India. Additionally, the agricultural equipment provider, Mahindra & Mahindra, has developed an initiative called, "Spark The Rise." This was launched as an online platform for ordinary people to drive positive change among rural communities in India—participants suggest ideas relating to technology, infrastructure and transportation, energy, agriculture and rural

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[18] IFC (2009): "*Sustainable Investment in India*", http://www1.ifc.org/wps/wcm/connect/174b8280488552abac4cfe6a6515bb18/Sustainable_investment_in_India2009FINAL.pdf?MOD=AJPERES&CACHEID=174b8280488552abac4cfe6a6515bb18

development, and social entrepreneurship, through a web portal. “The commons” vote on the best idea each month, and the best “sparks” receive funding and resources from Mahindra & Mahindra. There is recognition that if this can be scaled up, then it will be a very powerful model—the scaling can come from its very model since internet penetration in India is increasing rapidly, in conjunction with mobile phone penetration.

### » Balancing the old with the new

Workshop participants described India as a “world in itself,” requiring that companies take a variegated approach to CS now and going forward. So-called “1st world solutions” will not automatically translate to such contexts. Traditional corporate power-houses like the TATA Group occupy an incredibly important role in the public mind, and are looked at as both protectors of the past and inspiration for the future. Indeed, this need for continuity and innovation is not viewed as paradoxical, but is simply part and parcel of the Indian way. Thus TATA Group is seen as setting an example of business ethics for the rest—there is an expectation that they will be beyond reproach. At the same time, there is an expectation that TATA Group, and others like it, will incubate the requisite innovations for India’s future, whether this is through bringing such products as the Nano car to market, or investing in clean-tech start-ups. While it is clear that large MNCs with long histories which have grown up in other markets are behaving similarly by exploring new “sustainability” products and services, the hopes of an entire nation do not rest on their shoulders. Younger Indian companies which have not grown up in the shadow of big family firms like the TATAs, especially in the information, communications, and technology (ICT) sector are also critical to India’s future. Companies like Infosys have new business models founded on finding sustainability solutions using ecosystem partners. Participants at the workshop clearly recognized that India’s CS pathway will need to embrace the differences embodied by traditional enterprises and new entrants.

**Key Insights from São Paolo UN Global Compact LEAD Workshop, May 8, 2012**

Participants' views on Brazilian "characteristics" of CS:

- *It's individual*—companies are looking to address sustainability challenges within their own operations. They work with government or organizations on a case-by-case basis to address difficulties.
- *It's piecemeal*—while Brazilian regulation is rigorous, in some aspects it lags or is not enforced. This often forces companies to be piecemeal in their approach.
- *It aspires to be collaborative*—a genuine desire to cooperate exists among individuals and organizations. There are multiple examples of collaborative efforts between the sectors such as the agriculture roundtables to establish together social environmental criteria for production.
- *It's social*—social impact of how companies operate is a lead component of sustainability. Brazilian society has long struggled to address income, education and opportunity disparity. The onus falls on the private sector to do so.

# Corporate Sustainability in Brazil

During the third Global Compact LEAD workshop held in São Paolo, Brazil, on May 8, 2012, participants shared their views on corporate sustainability (CS) in the Brazilian context, the trends they see, and how companies are approaching CS. The key themes emerging from the session, validated through a select number of telephone interviews and supplementary secondary research, are outlined below.

## The enabling environment for corporate sustainability in Brazil

### » Strong government regulation, with weak enforcement

Brazil has a number of well-developed social and environmental laws, but legislation is not considered an effective driver for CS, as the government's capacity for enforcement is limited[19]. Indeed, workshop participants highlighted the huge deficits in the Brazilian government's capacity to enforce regulation, driven by fragility and instability at the local and state levels, especially in remote areas where development and sustainability tradeoffs are most acute.

As in India, the role of the Brazilian public sector in promoting CS has mainly focused on mobilizing additional business resources for social and cultural programs that are in line with public interests. For example there has been a concentration on tax incentives to promote companies' social investments—tax deductions can be obtained for contributions made to non-profit organizations that have been granted the status of public charities[20]. More recently, the government has pushed for investment within the renewable energy sector, through the Alternative Energy Sources Incentive Program (PROINFA) to promote the use of renewable technologies (specifically wind, biomass and small hydro) with incentives and subsidies[21].

### » A vibrant third sector movement

Brazil is considered to have the most vibrant third sector movement in Latin America, with an influential role played by local trade unions on the social side[22] and international NGOs on the environmental side. For example, the broad Brazilian labor law, backed up by strong Brazilian labor organizers, has helped win better wages, profit sharing deals, and holiday allowances for workers at Foxconn's factories in Brazil, an important contrast to the current situation in China[23]. In relation to environmental challenges, international NGOs have been focused on the Amazon basin. While Brazil has not faced the scarcity that other geographies must struggle with, such as lack of natural resources, water, energy, and access to food, international attention is focused on maintaining biodiversity and protecting the Amazon's carbon sink capacity. NGOs in Brazil are considered to have a powerful voice, amplified by a progressive media, but are also viewed as disorganized.

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[19] Visser&Tolhurst(2010)
[20] GTZ& Bertelsmann Stiftung, (2007): "*The CSR Navigator*",http://www.bertelsmann-stiftung.de/bst/en/media/xcms_bst_dms_23041_23042_2.pdf
[21] KPMG (2011): "Taxes and incentives for renewable energy", http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/Taxes-Incentives-Renewable-Energy-2011.pdf
[22] GTZ & Bertelsmann Stiftung, (2007)
[23] http://inthesetimes.com/working/entry/13051/apples_two_faces_power_gaps_between_brazil_and_china_foxconn_workers

» **Good understanding of CS among the investor community and public more broadly**

In 2005, a Corporate Sustainability Index (ISE) was introduced in Brazil which encourages listed companies to improve their environmental, social, and governance (ESG) performance and involves around 40 publicly traded companies of the Sao Paulo Stock Exchange (BOVESPA)[24].Increased interest in sustainable investing also extends to the equity market. Brazil now plays host to dozens of ethical and sustainability-based funds, such as Santander's Fundo Ethical[25]. Brazil's pension funds have also taken a proactive stance on ESG issues, largely due to the leadership of their largest member, PREVI. 18 pension funds have signed the UN Principles for Responsible Investment (PRI) and together they represent combined assets of US$110 billion (about 60% of the country's total pension fund corpus)[26]. In the broader public sphere, organizations such as Nossa São Paulo and IBOPE have published quality of life indicators for Brazil's largest city[27], and during 2012, Fundação Getúlio Vargas will publish a gross national happiness indicator for the first time[28]. Research by the Brazilian Dream study has also found that young Brazilians increasingly want more career opportunities related to sustainability and are generally interested in giving back to society[29].

## Characteristics of a Brazilian approach to corporate sustainability

» **Traditional roles and responsibilities**

Participants at the workshop highlighted the fact that current sustainability challenges require greater ".com +.gov + .org collaborative solutions" in order to be addressed at scale. However, they also noted that business, government, and civil society groups are more inclined to stick to traditional "fall-back" positions in their collaboration and engagement with society. For the NGO community, this entails playing an adversarial role to raise awareness of key sustainability issues. Such an adversarial bent has, traditionally, dissuaded companies from seeking longer-term partnerships. For business, its traditional role has been to act paternalistically and address primarily social issues (namely income inequality and education gaps) through volunteerism and community engagement. The prevailing corporate culture in Brazil, which places an emphasis on hierarchy (whereby senior management provides protection and guidance in exchange for loyalty and deference from the rank and file employees[30]), certainly influences the paternalistic role of business in society. Workshop participants were aware of the cultural norms apparent in the default positions taken by societal actors and how these both contradict and support the Brazilian notion of *cidadania* (citizenship), which calls for participation and solidarity[31]. For workshop participants at least, they see strong potential for greater multi-stakeholder collaboration, beyond the commodity roundtables which have already been established in Brazil. The increase in internet penetration and social media does have the potential to change this paradigm and there is some corporate experimentation—3M's Fabrica de Ideais[32] and house builder Tecnisa's TecnisaIdeais[33] are collaborative innovation platforms where people can work together to share ideas and solve challenges.

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[24] According to a recent opinion survey, more than one-fifth (22%) of consumers have bought ethical products or recommended a company for its ethical credentials, up from 12% in 2007.Visser&Tolhurst (2010)

[25] *Ibid*

[26] IFC & TERI Europe (2009): "Sustainable Investment in Brazil", http://www.terieurope.org/docs/brazil.pdf

[27] Nossa São Paulo & IBOPE (2012): http://www.nossasaopaulo.org.br/portal/irbem

[28] Estadão (2012): "Índice vai medir felicidade do brasileiro", http://economia.estadao.com.br/noticias/economia,indice-vai-medir-felicidade-do-brasileiro,107243,0.htm

[29] Box1824 (2011): "O Sonho Brasileiro"; http://osonhobrasileiro.com.br/

[30] Ardichvili, Jondle et al, (July 2011), "*Ethical Cultures in Large Business Organizations in Brazil, Russia, India, and China*," Journal of Business Ethics, 105

[31] Raufflet, E. (2008), "*Creating the context for corporate responsibility: the experience of Instituto Ethos, Brazil*", Journal of Corporate Citizenship, Summer; 30

[32] http://www.3minovacao.com.br/fabrica-ideias/

[33] http://tecnisaideias.com.br/web/

### » Prioritization of social issues

The CS discourse in Brazil, strongly influenced by international institutions focused on climate change on the one hand and domestic institutions focused on the need to address pressing social issues on the other, is increasingly balanced between the three pillars of sustainability—social, environmental, and economic. For example, in relation to the Amazon, exploitation of natural resources, biodiversity concerns, human rights, land tenure, corruption, and carbon sinks are all issues which are raised in the public media. Beyond the Amazon, domestic attention is focused on the country's pending "talent blackout", and what it will take to create a competitive Brazilian workforce. Corporations appear conversant in the multitude of sustainability issues faced by the country. Indeed, Brazilian companies have received recognition for the depth and breadth of their sustainability reporting[34]. Brazilian companies are also more likely to publish sustainability reports than other Latin American companies[35] and reporting rates are similar to those in Europe and the US (88 percent of the top 100 Brazilian companies produce a sustainability report[36]). While the discourse is indeed broad and free-flowing, corporate action is mostly rooted in addressing poverty and promoting socio-economic development. Similar to India, the CS approach is very local and focused on satisfying the needs of communities.

### » Adaptability, but only so far

A number of key opinion formers noted that Brazilian companies are able to adapt to new realities quickly and to innovate their approach to sustainability easily since, "the rules can be broken quite easily." It was recognized that this can have both positive and negative implications for sustainable development. However, workshop participants were also keen to stress that companies are not innovating their business models *en masse* to address key challenges. Part of the reason for this is that the national model is still very much focused on exporting commodities. Brazil has not renegotiated this path and, by and large, the economy is relying on its natural resource wealth to generate revenue. Additionally, it was recognized that while corporations have developed an understanding of the risks associated with sustainability and costs required to mitigate them, there is little clarity of the value of sustainability and how much sustainability innovations are "worth" to society. While there will likely be increased investment and innovation in this area, most obviously in relation to "payments for ecosystem services," the models are still in their infancy.

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[34]The Brazilian majors dominated the 2010 GRI Readers' Choice Awards, for example
[35]Visser & Tolhurst, 2010
[36]KPMG, (2011), "*KPMG International Survey of Corporate Responsibility Reporting 2011*"

## Commonalities and Implications

Unsurprisingly, there is not a "one size fits all" approach to corporate sustainability in Brazil, India and China (the BICs). However, there are certain commonalities between the markets which can be observed from the research, and which have important implications for the global discourse and action on corporate sustainability.

### Commonalities

» **Development focused**

The BICs are still in the throes of rapid social and economic development, with all the challenges and opportunities which such growth brings. Companies in these markets are approaching CS as a nation building tool to improve development outcomes. For example, companies in Brazil are building educational institutions and are training teachers to populate them. In India, companies are being called upon to build bridges, hospitals, and other infrastructure. In China, they are expected to help build a harmonious society. In all these cases, the role of business in society is underpinned by a broad expectation of corporate paternalism.

» **Seeking approval and gaining legitimacy**

CS in the BICs is focused on seeking approval and gaining legitimacy from a broad array of domestic and, in some cases, global stakeholders. In China, for example, CS is focused on alignment with government priorities on sustainable development—companies seek approval from the government for their actions in this regard. For Brazil, CS is driven by local reputational considerations, and also by an increasing need to gain legitimacy among potential (Western) value chain partners looking to invest. And in India companies seek approval from communities to acquire local license to operate. International frameworks like the Global Compact and Global Reporting Initiative (GRI) and provide a structured process for companies to collect and report data which legitimizes their actions in the minds of multiple stakeholder groups, both domestic and international. This appears to be particularly important for "home grown" companies which are globalizing.

### Implications

» **Emerging markets are 21st century laboratories where the future is being shaped**

Emerging markets are facing the most fundamental economic, environmental, and social questions of our generation—they are essentially the laboratories where the most important 21st century questions are playing out. What happens in the BICs, for example, will shape our world for a long time to come. However, the BICs should not be seen as recipients of solutions created elsewhere. Indeed, they are laboratories for innovation and breakthrough solutions that develop locally, and which can then be applied elsewhere. For example, in China, solutions may develop in relation to clean-tech, in India in relation to market access for those at the lowest socio-economic strata, and in Brazil in relation to payments for ecosystem services which go beyond a pure subsidy model. As companies from these regions increasingly go global, their perspectives and innovations will increasingly shape the global practice of corporate sustainability.

» **We cannot simply replicate the same models which have been used in other geographies**

Conversations about what other market approaches to CS look like are occurring on a regular basis within emerging markets, either through fora like the Global Compact Local Networks, various other UN platforms or the regional World

Economic Forum in Tianjin. While there appears to be little substantive rejection of the mainstream discourse on CS, “home grown” companies and MNCs are cognizant of the need to explore ways to translate the discourse and actions they see on CS both locally and internationally into the context in which they are operating. Issues are prioritized very differently in different countries, and there are local issues—food safety in China, social justice in Brazil, inclusive growth in India—that have particular relevance and resonance.

» **Corporate Sustainability, handled well, can be a source of competitive advantage in emerging markets**

CS can provide market insights that are hard to obtain otherwise, preserve social license to operate, and sometimes the legal license to operate. Indeed, there are a number of business value drivers which CS can unlock, while also catering to the needs present in these markets. To do so requires companies to practice some of the tried and tested approaches undertaken in other markets, but with a distinctly local flavor. For example, in China, stakeholder engagement might entail in-person bilateral meetings with government officials. In India, it could necessitate the creation of an online “crowd sourcing” platform to gather ideas from multiple sources. In Brazil, it might require leveraging the existing multi-stakeholder commodity roundtables.

# Appendix:

The authors would like to thank the following organizations for participating in the "New Geographies of Corporate Sustainability" workshops convened by Global Compact LEAD, Global Compact Local Networks and BSR.

**Beijing, China**
**28 March 2012, COSCO Headquarters**
A.P. Moller-Maersk, BASF, Bayer, BSR. Center for Child Rights and CSR, China Aluminum Corporation, China Business Council for Sustainable Development, China Development Bank, China Life Insurance Company, China Minmetals, China National Gold Group, China National Textile & Apparel Council, China National Machinery Industry Corporation, China Southern Power Grid, China Talent Group, China United Telecommunications, CNTG Energies, COSCO, Daimler, Enel/Endesa, GIZ China, Gold East Paper, Lenovo Group, Nestlé, Novo Nordisk, Novozymes, Sinocam Group, SINOPEC, SK Telecom, The Speakers Group

**Mumbai, India**
**19 April 2012, Taj Land' s End**
Arcelor Mittal, Bayer, Bharat Heavy Electricals, Bharat Petroleum Corporation , Centre for Corporate Governance and Citizenship, The Coca-Cola Company, Confederation of Indian Industries, Det Norske Veritas AS, DLF Foundation, Elcomponics Group, Engineering Projects India , Essar Services India, GAIL , HCC India, Indian Oil Corporation, Infosys, ITC, Jindal Stainless, JSW, Mahindra & Mahindra, NMDC, Novozymes, NTPC, ONGC, Petronet LNG, Sesa Goa, Tata Consultancy Services, Tata Power, Tata Steel, Tata Teleservices , TERI, Shipping Corporation of India , Unilever, YES Bank

**São Paulo, Brazil**
**8 May 2012, Park Suites ITC**
A.P. Moller-Maersk, ABRAPS, Accenture, Ambev, Banco Bradesco, Banco Santander, BASF, BB-Mapfre, BM&F BOVESPA, BNDES, Braskem, BRFoods, BSD Consulting, EDP Brasil, Embraer, Enel/Endesa, ESPM Social, FIEP, FIESP, Grupo Abril, Instituto Ethos, i-see global, Itaipu Binacional, Máquina PR, Nestlé, Netafim, Novo Nordisk, Petrobras, PwC Brasil, Promon, Suzano Papel e Celulose SA, Unimed do Brasil, Vale, Via Gutenberg, Whirlpool Latin America, WWF

# The Ten Principles of the United Nations Global Compact

## HUMAN RIGHTS

| | |
|---|---|
| Principle 1 | Businesses should support and respect the protection of internationally proclaimed human rights; and |
| Principle 2 | make sure that they are not complicit in human rights abuses. |

## LABOUR

| | |
|---|---|
| Principle 3 | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; |
| Principle 4 | the elimination of all forms of forced and compulsory labour; |
| Principle 5 | the effective abolition of child labour; and |
| Principle 6 | the elimination of discrimination in respect of employment and occupation. |

## ENVIRONMENT

| | |
|---|---|
| Principle 7 | Businesses should support a precautionary approach to environmental challenges; |
| Principle 8 | undertake initiatives to promote greater environmental responsibility; and |
| Principle 9 | encourage the development and diffusion of environmentally friendly technologies. |

## ANTI-CORRUPTION

| | |
|---|---|
| Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery. |

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