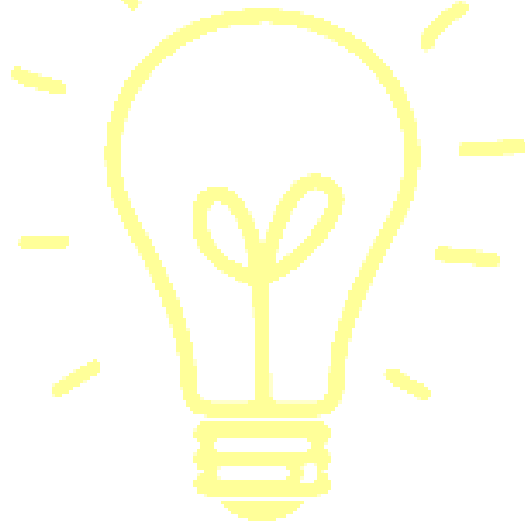


# ARE LATIN AMERICA'S COMPANIES GETTING GREENER



BY GIDEON LONG

**T**hey were among the most depressing images to come out of Latin America in 2015—the dead fish, the polluted Rio Doce, the millions of tons of toxic waste that engulfed homes when a tailings dam collapsed in the Brazilian state of Minas Gerais on November 5. President Dilma Rousseff described it as “the worst environmental disaster Brazil has ever seen” and laid the blame squarely with the dam’s owners, Samarco. The company and its joint owners—Anglo-Australian BHP Billiton and Brazilian Vale—have agreed to pay more than \$5 billion in damages.

But while the Samarco disaster grabbed the headlines—the latest example of lax corporate practices triggering a major environmental catastrophe in Latin America—it does not tell the full story. Across the region, thousands of companies are taking their commitment to the environment ever-more seriously. Many have embraced new technology to make their production processes greener. Corporate Social Responsibility (CSR), a long-established concept in European and North American boardrooms, is slowly but surely taking root in Latin America.

“Are attitudes changing? Yes, they are,” said Colin McKee, Environmental and Social Officer at the Inter-American Investment Corporation (IIC), a member of the Inter-American Development Bank Group that promotes development of Latin America and the Caribbean through support of the private sector. “There has been an evolution in CSR. It used to be about community donations and philanthropic efforts. These days it’s more sophisticated. It’s about businesses integrating sustainability into their strategy and operations.”

One measure of this progress is the number of companies in Latin America that now produce comprehensive sustainability reports. Back in 2010, just 327 companies in the region published reports that complied with guidelines issued by The Global Reporting Initiative (GRI), an independent body that sets the most widely used standard for sustain-

ability reporting. By 2015, that figure had more than doubled to 788.

Of those companies, more than a quarter (222) are Brazilian. “No other country in the region has enjoyed as much public discourse about CSR and sustainability as Brazil,” said Fabián Echegaray, managing director of Market Analysis, a Brazil-based market research firm that focuses on green issues. “There are specialist magazines, TV programs, and radio broadcasts about green consumerism. These issues have become popular issues for the general public.”

Faced with such public clamor for eco-friendly corporate practices, Brazilian companies have had to innovate. One such company is Precon Engenharia, a construction firm based in Belo Horizonte. The company avoids building houses in situ using conventional methods. “We make the components for each house in an industrial plant and then we assemble them on the ground as if it were a giant Lego toy,” Marcelo Monteiro de Miranda, CEO of Precon, explained. “It’s a system inspired by the automobile industry.”

This system reduces waste dramatically. Miranda said the traditional construction of an average 540 square-foot apartment generates 7.5 tons of waste, much of which goes to landfill. Using Precon’s techniques, waste is reduced to less than a ton. Most of the hard work is done in a factory rather than on a building site, meaning fewer trucks and dumpsters on the streets as well as less traffic and noise pollution.

CSR experts in Brazil cite forestry company Duratex as another example of a firm with exemplary eco-friendly practices. Based in São Paulo, it owns 667,000 acres of forest, a quarter of it in conservation areas. The firm’s detailed forestry management plan is aimed at protecting the soil on its lands and reducing the need for using chemical pesticides. Since the 1960s, when it first imported eucalyptus seeds from Australia, the company has boasted a genetic development program aimed at producing high-density, pest-resistant,

drought-resistant trees. In 2015, Duratex cut its overall water consumption by 6.6 percent from the previous year, its direct greenhouse gas emissions by 8.5 percent and its landfill waste by 32.1 percent. It increased its use of biomass for energy generation by 17.3 percent.

## RECYCLED PLASTIC FOR BEER

While Brazil remains the epicenter of green corporate practices in Latin America, it is not alone. In Colombia, the number of companies publishing GRI-compliant sustainability reports has shot up from 29 to 146 in the past five years—the fastest rate of growth in the region.

In Lima, the non-governmental organization Peru 2021 has been rewarding Peruvian companies for their good CSR practices for over a decade. In 2015, it gave one of its top environmental prizes to Backus, a beverage company that recently became the first in Peru to use recycled plastic in its bottles. By July this year, Backus expects to be using recycled plastic to package all of its non-alcoholic drinks.

“For now we’re using 25 percent recycled plastic because our tests show that it works for all our stock-keeping units,” said Gustavo Noriega, supply-chain vice president with Backus. “We’re going to continue working to try to up the percentage. The next step is to use 50 percent recycled plastic and in the long term get to 100 percent.”

Sadly, not all Peruvian companies are as enlightened as Backus. Cristian Loza Adai, a Peruvian CSR expert, said his research suggests that only around 30 percent of companies listed on the Lima bourse boast anything that could be described as a real sustainability policy.

“It’s true that the concept of CSR has become more ingrained in Peru and that more companies are talking about it,” he said. “But that doesn’t necessarily mean they’re doing anything about it.”

In Chile, “do-tank” PROhumana produces annual rankings of companies operating in Chile with good

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sustainability practices. For the past two years, retail bank BCI has topped those rankings. "You might not necessarily think of a bank as being actively engaged with environmental issues but BCI has done some interesting work in this area," said Carolina Andrade, PROhumana director of consulting and research. The bank set a target of reducing its energy consumption by 10 percent between 2012 and 2020 and is ahead of target. It has installed energy-saving LED lighting and solar panels in many of its buildings.

Steel company Gerdau and forestry firm Mininco also figure highly in the PROhumana rankings. Gerdau, a Brazilian-based multilatina, has collected scrap metal on Easter Island and shipped it back to the Chilean mainland for recycling. It also works with the state to recycle decommissioned weapons. Mininco, which placed 4th in the PROhumana 2015 ranking, manages 11 "high conservation value areas" in southern Chile, covering nearly 24,700 acres, with strategies that preserve or improve their biodiversity. The areas are home to pumas, foxes, rare birds, and Chile's emblematic araucaria araucanas, or monkey puzzle trees.

"When we meet with companies these days, we tend to find they at least understand the concept of CSR," Andrade said. "And as a society, Chileans have become more emboldened. People are more vocal about pressuring companies to do more to care for the environment."

In Mexico, cement firm CEMEX, baking company Bimbo, and industrial conglomerate ALFA have long track records of good social and environmental practices while, in Argentina, CSR

experts cite confectionery company Arcor as an example to follow.

### THE COST OF BEING GREEN


But what, for all these companies, is the cost of being green? Can Latin American firms afford to be environmentally conscious? Should they be obliged to spend precious money on, for example, compiling detailed sustainability reports? Evidence of the cost of being green is hard to come by, but increasingly companies appear to view the adoption of sound environmental practices as an investment rather than a burden. Cristian Loza Aduai of Peru, research fellow at Friedrich-Alexander-Universität Erlangen in Nürnberg, Germany, said that companies should consider the cost of not being green. "In Peru, there are at least two important mining projects—Tía María and Conga—that have been halted, in part because the companies behind them didn't taken their social-environmental responsibilities seriously enough," he said. "And that represents a big cost for those companies, and a lost opportunity."

Often, the spur towards greener corporate practices comes from outside Latin America. If, for example, an agribusiness can prove its eco-friendly credentials by getting its products certified by a recognized body, it can be transformative for that company's business. "We have clients in Paraguay who produce certified sugar that they no longer sell domestically," says Colin McKee with the IIC in Washington. "The fact that they've certified their products has given them exclusive access to international markets where their customers are willing to pay a higher price."

Such trends are likely to continue. The European Commission recently argued that all EU companies with more than 500 employees should be obliged by law to provide detailed information on their environmental strategies. The measure is likely to come into force by 2018. EU companies will be required not only to be eco-friendly themselves, but also to ensure that their suppliers are. So, if Latin American companies want a slice of European business, they will have to prove their green credentials.

For various reasons, the move towards corporate sustainability in Latin America looks unstoppable. But, Echegaray at Market Analysis warned that nothing should be taken for granted. In a poll conducted in Brazil earlier this year, his firm found "an increasing public disbelief in companies as agents for positive social and environmental change".

Whereas a decade ago, 78 percent of Brazilians said they were interested in finding out what firms were doing to "be more socially and environmentally responsible", nowadays the figure is only 69 percent. A decade ago, 50 percent of Brazilians believed companies communicated honestly and truthfully about their social and environmental practices. Now, only 36 percent do.

Those changes in attitudes may be specific to Brazil—the Samarco disaster is fresh in people's minds and the country is suffering a particularly acute crisis of confidence in its political and corporate institutions. But, even so, those findings should serve as a warning to countries and companies across the region. CSR is taking root in Latin America, but it needs to be nurtured.  Gideon Long reported from Santiago