

Institutional Perspective of CSR in Brazil

**- How Brazilian Companies create Legitimacy for
Their Sustainability Practices**

“The goal is to interact with producers whose production is commercialized by the Group, leading to a gradual improvement in terms of legal framework and socio-environmental performance standards.”

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Abstract

CSR as a corporate practice has gained momentum over the years. There has been a clear focus on the strategic approach to CSR and developed countries in the academic literature. Giving the lack of insight in the institutional perspective on CSR in Brazil this study aims to create a deeper understanding for how Brazilian companies create legitimacy for their sustainability practices, as a mechanism of the institutionalisation process of CSR in Brazil. The research project highlights three specific cases, the *Soy Moratorium*, the *Sustainability Index* and the *Equator Principles and Amazon Dam Projects* where the nine focal companies have been faced with legitimacy challenges. Institutionalisation as a process often has longitudinal features, why the study focuses on the corporate communication over ten years' time. An inductive approach was employed, where grounded theory and a case study have been used as methodological stand for the thesis. The study concludes that the companies employ different legitimacy strategies depending on the setup of the standards. The soy moratorium is multi-stakeholder initiative, created by the soybean companies in collaboration with business associations and civil society. The companies have a more active political role, and it is more in line with institutional conceptualisation of CSR, where moral legitimacy is the most important form of legitimacy. The soy moratorium is grounded in a democratic dialogue between stakeholders, in order to find the most appropriate way of solving the problem of deforestation. The Sustainability Index has several features of cognitive legitimacy, where it is used by the companies as a verification of their sustainability practices, as a way to show convergence with wider accepted cultures and norms. The Equator Principles encourage best practices and the companies adopting the principles promote cognitive legitimacy for their practices, through complying with generally recognised norms. The difference between the sustainability index and the Equator Principles are the setup of the initiatives. The index selects companies based on static criteria, eliminating the companies' possibilities to negotiate inclusion or exclusion. The Equator Principles are guidelines that the companies implement, why the application of the principles can be negotiated. As there is no external authority to decide whether the principles are properly applied or not, it opens up possibilities for critique from other societal actors. Civil society can be seen as a moderator between companies and morality, where legitimacy has to be negotiated through a deliberate dialogue. This differs from the Soy Moratorium, where the democratic dialogue is the foundation for the initiative. Hence, the Soy Moratorium and the Equator Principles implies some form of societal dialogue, while the Sustainability Index is a more traditional form of standard.

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1. Introduction

In today's globalising society, where companies' practices are challenged by an increased number of actors (Vogel, 2010) companies are dependent on being perceived as legitimate (Palazzo & Scherer, 2006). With several incidents of malpractice in regards to social and environmental practice, corporate social responsibility (CSR) has gained momentum among corporations all over the globe. CSR could be broadly defined as the voluntarily actions a company takes to act responsibly towards affected parties in the greater society (among others McWilliams & Siegel, 2001; Commission of European Communities, 2001). The concept of CSR has several interpretations with definitions ranging from pure instrumental (Friedman, 1962) to institutional (Palazzo & Scherer, 2006). With the growing importance of emerging market, sustainability practices have become a focus for emerging economies as Brazil (van Agtmael 2007). A majority of the CSR scholars have traditionally had a focus on the strategic understanding of the concept (Palazzo & Scherer, 2006), and many have had a limited understanding of the concept in emerging economies time (J. A. Puppim de Oliveira 2006). The existing literature on CSR in Latin America in general, and particularly in Brazil, have a strong focus on strategic CSR, while the institutional perspective has been superseded.

Giving the lack of insight in the institutional perspective on CSR in Brazil this study aims to create a deeper understanding for how Brazilian companies create legitimacy for their sustainability practices, as a mechanism of the institutionalisation process of CSR in Brazil. The research project highlights three specific cases, the *Soy Moratorium*, the *Sustainability Index* and the *Equator Principles and Amazon Dam Projects* were the nine focal companies have been faced with legitimacy challenges. Institutionalisation as a process often has longitudinal features, why the study focuses of the corporate communication over ten years' time. Looking into the focal organisations' communication on the problems posed in the cases, strives to create an understanding of how these companies employ strategies for gaining, maintaining and repairing legitimacy in regards to the case specific issues. Conducting a comparative analysis between the three cases and nine focal organisations can provide new perspective on how Brazilian companies handle legitimacy in regard of sustainability standards.

1.1. Scope and Delimitations

The research is focused on how Brazilian companies create legitimacy in regard of their sustainability practices. There is focus on how the specific institutional back-drop has affected the corporate actions, why the study is limited to Brazil and the three specific cases of the study. Due to

the author's lack of Portuguese skills, the study is limited to information in English. This regards both general articles and the corporate communication.

Emphasis lies in how the focal organisations have employed different methods in order to gain legitimacy. In most of the cases, non-corporate actors have been a part of the process. All though interesting for understanding the institutional context, there will not be a more in-depth analysis of other actors' actions and motives, as the study is concentrated on the corporate actions for creating legitimacy.

2. Literature review

2.1. Corporate Social Responsibility

CSR is widely debated topic and is despite that, lacking a well-established definition. Reviewing the existing literature two conclusions could be drawn. First, CSR refers to the relationship between the company and the surrounding society, and secondly, it refers to the voluntary efforts by the company, i.e. actions beyond the mere legal requirements (McWilliams & Siegel, 2001; Commission of European Communities, 2001; Hill et al, 2001; Marrewijk & Werre, 2003). CSR could therefore be broadly defined as the voluntarily actions a company takes to act responsibly towards affected parties in the greater society. One of the underlying factors to the complexity of the problem is the ideologically complex problem of the relation between the market and the state and the responsibility distribution between the two actors.

Business ethics, a term often mentioned together with CSR, is regarded as guiding star for responsible companies, and has been a buzzword in the last decade. Proponents of business ethics claim that globalisation has led to a loss of responsibility towards people and places (Parker 2002). The homogeneous conceptualisation and framing of business ethics are criticised for lacking of depth and important concepts like law, state, equality and politics is completely missing in the discussion. This poses a problem as what is moral or immoral is a relative concept. Business ethics does not shed the needed light on the clarification or definition of what CSR is and another framing of the problem is needed (Parker 2002). The posed problem with different views of what is moral or immoral gets intensified in a globalised playfield, where there are no broadly accepted norms or values. There is a multiplicity of contradictory regulation and morals and simultaneously an individualization process fragmenting the previously homogeneous cultural life (Palazzo & Scherer, 2007).

A common view of CSR is based on the assumption that the one and only responsibility of companies is to maximise profit, all other responsibilities are assigned to the state. This responsibility should be attended to any price as long as the company plays by the rules, i.e. not breaking any laws. The fundamental argument for this view is that the firm is an instrument for the shareholders to gain profit, implying that there is a principal-agent relationship between the shareholders and the management of the firm. Friedman (1962) argues that a company engaging in CSR is using other people's money for philanthropy, that is, a violation of the fiduciary duties of the management. Further, the competencies of the management of a firm lie in governing a company and making it as profitable as possible, not in societal resource allocation, which would

make CSR an in-effective use of resources (Friedman, 1962) (Friedman, 2001). It is also argued that it is almost impossible for a company to accomplish social ends without imposing costs at its customers. To impose those extra costs is fatal to the company in the contemporary super-capitalistic society (Reich 2007). Though, with the fundamental belief that businesses are to make profit and the state is to provide social services, there are still opportunities for the company to tap in on social responsibility. Porter and Kramer (2006) argue that as long as the CSR activities are in line with the overall strategies and competitive advantages of the firm, they are defensible (Porter & Kramer, 2006). Bottom-of-the-pyramid strategies, energy efficiency initiatives, reputational management, and branding products as ecological are all strategic CSR moves.

Implications of globalisation, such as multiplicity of legal and moral requirements and individualisation of norms, values and cultural context have challenged ethical approaches to CSR. There is not only one homogenous cultural or moral view for corporations to take into account when strategizing, but several (Palazzo & Scherer, 2006). The traditional CSR concept is in many ways challenged by globalisation. A proposed remedy to these challenges is for the company to assume a more political role, and to embed the CSR debate in the context of changing political institutions. This new political role of business goes beyond mere compliance with legal and moral compliance, as the borders between political and economic activities are blurred (Scherer & Palazzo, 2011). Traditional political institutions get weaker and other societal actors must find new ways to influence, e.g. through corporations (Reich, 2007). By adapting a more deliberate approach to CSR, corporation can through dialogue with other societal actors exchange arguments and make decisions founded in consensual discussions (Palazzo & Scherer, 2006). More practically, the political conceptualisation of CSR is characterized by self-regulation, global level of governance, social interconnectedness, and proactive engagement in democratic politics (Scherer & Palazzo, 2011).

2.2. Emerging Markets

Increased global economic activity and investments, both by institutional and private actors, in emerging markets has led to a growth of importance of emerging markets. In the beginning of 1980's the so-called third world countries gained more interest from western investors and the term emerging markets were coined. The emerging markets were developing countries with a high growth and rapid industrialization, and at the time being, a controversial choice for investments. Now, thirty years later, emerging markets have become increasingly important, and said to overtake developed countries in GDP in thirty more years. The emerging markets constitute about twenty per

cent of the total global GDP, much due to a high number of inhabitants and poverty. But with a steady increase of income levels and a growth rate at nearly twice as fast as the developed markets, this is bound to be changed (van Agtmael 2007). Emerging markets as a group have been less affected by the recent economic crisis. While developed markets still struggles with the consequences of the economic downturn are emerging markets and their MNCs on the rise, ready to take more responsibility and to be a part of setting the agenda in the global economy (Primorac 2010). Major emerging economies like Russia, India, China and Brazil have due to this got the possibility to play a more prominent role in the governance of global economy and in creating a more stabile economic environment. The number of emerging market multinational companies are also increasing in number, size and influence (Pillania 2009; van Agtmael 2007). Sustainability practices previosly mostly adopted by advanced economies' companies are becoming a must for emerging nations' companies. In the Global 100 (G100) list of the most sustainable companies were twelve out of hundred companies from emerging companies, which is a big leap from 2005 when non of the companies were from emerging markets (Zadek 2010).

Brazil, one of the most prominent emergin markets, has had a steady economic growth and the country is rated as the 7th largest economy in GDP per capita (IMF, 2011). The general economic development has also triggered the private companies in Brazil and in 2011 were 36 Brazilian companies represented on Forbes' Global 2000 list (Forbes, 2011).

2. 3. CSR in Latin America

Latin America is a multifaceted region that under the last decades has gone through a lot of changes in the economic, political and social area. The neo-liberalism in the early-mid 1990's failed into various socialist- collective- or entrepreneurial models adopted by governments. Many of the Latin American countries have embraced the opportunities of a more globalized world through opening up for expanding local business worldwide as well as localizing international actors. Business exchanges move both from and to Latin America. Though, the region is still suffering with unsolved social issues like poverty, education and violence, and the solution to the issues vary from government to government. Some outsource the provision of social services to the companies, while others take full control over the issues. Businesses have also grasped the possibility of converting these issues to strategic opportunities (Lindgreen och Córdoba 2010). With this said, CSR is not a new phenomenon in Latin America but has been present in the region in one way or another for a long time (J. A. Puppim de Oliveira 2006) (Logdson, Thomas och van Buren III 2006), but it was

first in the 1980's that organisation started paying attention to the concept and companies started to massively invest in programs (Damiano-Teixeira & Pompermayer 2007).

The existing academic literature on CSR in Latin America is generally focused on strategic CSR and companies' general performance within the area (Vives 2006) or more specifically CSR reporting (Araya 2006) (Paul 2006) (Meyskens och Paul 2010). The strategic CSR is presented as a possible competitive advantage for Latin American corporations regionally (Puppim de Oliveira och Gardetti 2006) as well as globally (Boche och Barin Cruz 2010) (Barin Cruz och Boche 2010) or with practical implications such as tapping into the bottom-of-the-pyramid market (Peinado-Vara 2006). The role of various stakeholders is highlighted in a number of articles, such as how companies perceive and address diverse stakeholder groups (Vasquez-Brust, Liston-Heyes och Plaza-Ubeda 2010), the role of the press as a possible driver for CSR (Vivarta och Canela 2006), consumer reactions to CSR activities (Carvalho, o.a. 2010) and female workers' condition in the agricultural industry (Prieto-Carrón 2006). One exception from the company-based view of CSR in Latin America is the institutional framed explorative study on the impact of normative and mimetic pressures in association of GRI and UNGC membership (Perez-Batres, Miller och Pisani 2010).

The exiting literature's dominating focus on company performance and strategic CSR is lacking on a wider societal approach to CSR. The relationship between the institutional environment and the corporations CSR behaviour is close to unexplored. The governments in the region are generally lagging in accountability and social service provision. This creates demands on the corporations to focus their CSR activities on providing social investments (J. A. Puppim de Oliveira 2006), which on the downside traditionally has been used to buy a licence to operate despite bad social and environmental conditions (Lozano 2011). The focus on social service provision is also diverting attention to important issues, like corruption and tax avoidance, which could have a great impact on the societal level of the region (J. A. Puppim de Oliveira 2006).

2.4. Civil Regulation

Civil regulation has gained momentum, during the last decades, as a complement and supplement to public regulation. Civil regulation (Vogel 2010) and private politics (Baron 2001) are all concepts defining non-public regulation. Vogel (2010) states that the key features of civil regulation are that the legitimacy, governance and implementation of the regulation are not rooted in public authority. Baron (2001) defines private politics as the attempts of influence the economic activity of actors without reliance of public institutions. Büthe (2010a) supports Baron's definition, but the author calls the concept global private politics. Büthe (2010b) also takes the argument further by stating

that as transnational private regulators exercise power in the Dahlian sense they are quintessentially political actors (Büthe 2010b). The politicisation of private actors is also described by Reich (2007) where the author calls the phenomenon *supercapitalism* and means that main characteristic is the democratisation of capitalism and capitalisation of democracy. The non-governmental bodies that engage in civil regulation include industry associations, NGOs, networks of firms, technical experts, and groups of activists (Büthe 2010b, Vogel 2010). There is a wide range of mechanisms deployed by civil regulation. Producer certification, product labelling, third party auditing, standards, codes of conduct and information disclosure are all widely used as a means for private regulation (Vogel 2010, Mattli & Büthe 2003, Mayer & Gereffi 2010).

Civil regulation has increased in both number and in importance because of shortcomings of the society to govern transnational actors. There are several key reasons for the development of civil regulation. First, the shifted locus of production from developed to developing markets (Vogel 2010) (Mayer och Gereffi 2010), i.e. the value creation has changed from the production to the brands, making the multinational companies dependent on its brand and reputation (Zadek 2010). International production has changed towards a network like organisation, which has changed the power relations in the international supply chains (Mayer & Gereffi 2010). Secondly, the internationalisation of the firms and their supply chains has increased the scope of legalisation, making it complicated for on state to govern a transnational actor (Büthe 2010b, Mayer & Gereffi 2010, Vogel 2010). Third, the neo-liberal policies implemented in the 1980's has undermined the social contract between business and state, changing the conditions of the global political economy (Büthe 2010b, Zadek 2010). Lastly, the rise of Internet has made it possible for civil organisation to connect and draw attention to malpractice in a way previously not possible (Vogel 2010, Zadek 2010). The implications of globalisation have led to a shift of power from the state to the market; there is a “*structural imbalance between the size and power of global firms and markets, and the capacity and/or willingness of governments to adequately regulate them*” (Vogel 2010, 72).

Civil regulation is not a panacea to governance deficit and other problems brought on by globalisation. Voices have been raised questioning how efficient civil regulation is; especially have criticism been pointed toward efficiency of monitoring and enforcement issues. The lack of monitoring and enforcement has many times left out the expected and anticipated impact of the civil regulation (Vogel 2010).

3. Methodology

This chapter address the process of data collection and data analysis, and discusses the methodological choices and arguments for the chosen research design.

3.1. Research Question

How do Brazilian companies create legitimacy for their sustainability practices in regards to sustainability standards over time?

3.2. Epistemological Stand point

When a researcher engages in generating and interpreting data to answer a research question about understanding what others are doing and saying and then try to transform it to general knowledge, the researcher will inevitable take in theoretical concerns about what is knowledge, epistemology, and how this can be justified. That is, acting and thinking, theory and practice, are interdependently linked through a continuous process of reflection and transformation (Schwandt, 2000). For that reason, the philosophical foundation for this thesis will here be presented to create understanding for the authors prerequisite assumptions.

The qualitative inquiry is a reformist movement started in the 1970s and can be seen as an arena for social scientific criticism. The concept includes a wide number of different scientific stances, but they all have in common a rejection of scientism, fundamentalist epistemology, instrumental reasoning and philosophical anthropology. Three important philosophies of the qualitative inquiry are interpretivism, hermeneutics and constructivism. The three directions have somewhat different approach to the aim and practice in understanding human action, ethical commitment, and different stances on epistemological and methodological issues, such as representation, objectivity, and validity. The two first philosophies have their ground in the *verstehen* tradition of human science. This tradition of thought opposes to the positivistic stance that the aim of any science is to offer causal explanations of social, behavioural, or physical phenomena. Rather, interpretivism argues that the aim of social science is to understand human action. Interpretivsts focus on understanding human actions can be put simply as to understand a social action one must understand the meanings that constitute the action. From this stand point, a smile can be understood as both loving and wry, all depending on the intent and the meanings of the smile. Philosophical hermeneutics, on the other hand, mean that understanding is a condition of being human, and that understanding is interpreting. Moreover, understanding is produced in the

dialogue, between the researcher and the research object, not re-produced by an interpreter through analysis (Schwandt, 2000).

Social constructivism sees understanding and knowledge as a human construct. Basically, knowledge is not something that can be found, but is constructed by humans trying to organise and make sense of experience. Knowledge is not constructed from scratch; there is always a backdrop of shared understandings, practices, and language, which creates a cognitive foundation for the knowledge construction. Several social constructivists are of the opinion that constructivism is not an ontological doctrine, and do not take a stance on what things are real and what is not real. The focus lies in how things are described and socially made stable, factual, and natural (Schwandt, 2000). Potter (in Schwandt, 2000) argues that truth is like money traded on international stock exchanges; it can be worked up, fluctuate, and be weakened or strengthened by different procedures. A crucial element in social constructivism is language, which is seen as an enabler for creating understanding and knowledge. Schwandt expresses this as “*we are self-interpreting beings and that language constitutes this being*” (Schwandt, 2000, p. 198).

This thesis has its epistemological foundation in line with the social constructivism. The aim of the study is to try to understand how Brazilian companies create legitimacy with help of sustainability standards through looking into the corporate communication. Legitimacy can, like Potter said about truth, be negotiated and be strengthened or weakened through different procedures. The corporate communication is the language used by the companies to make sense of their standpoints in regards to sustainability practices how the standards are understood by the companies.

3.3. Research Design

This study takes an inductive approach to research, that is, it takes its starting point in the data and let the theory follow, opposed to deductive approaches, where theory lead data. The inductive method is a suitable method when trying to understand a social phenomenon as it is particularly concerned with the context, and do not only see cause-effect links (Saunders, Lewis, & Thornhill, 2003). The inductive method is also an appropriate method as it coincides with the thoughts of the social constructivist approach of this study. Deductive methodology is often executed with a highly structured research design, while the inductive approach opens up for alternative procedures and let the findings in the data lead the way of the study (Saunders, Lewis, & Thornhill, 2003). To execute the study, a grounded theory strategy was employed, which helps understanding the dynamics within a set situation (Eisenhardt 1989). Grounded theory is often thought of as one of the most

suitable methods for inductive studies. The foundation of the approach is that data collection starts without a formation of initial theoretical framework (Saunders, Lewis and Thornhill 2003). Eisenhardt (1989) stresses the importance of the researchers aim to ideally not have any theoretical framework in mind, when starting the research, as to let the data lead the research. This ideal state is close to impossible to reach, but the author should do its outer most to be as close as possible to this ideal state.

Based on the author limited understanding of the area of research, a literature review was conducted to gain a more stable ground for the study. The literature review was based on secondary literature sources (Saunders, Lewis and Thornhill 2003), like books and articles in journals. The primary areas researched were CSR, emerging markets, and CSR in Latin America. The author spotted a gap in the institutional understanding of CSR in the Brazilian context, as most articles had a clear strategic CSR approach. The literature review was conducted in order to generate and refine research area and research question. The sources were critically reviewed to enhance the authors understanding of the current state of knowledge in the area of research (Saunders, Lewis and Thornhill 2003). Based on the literature review, a broad research question was formulated, as a guide for the continuous research (Eisenhardt 1989), namely the institutional perspective on CSR in Brazil.

The institutional concept of CSR focuses on the interaction between companies and their interaction with the larger society. These interactive processes are often taking place over time, why the study has a longitudinal feature, as this approach allows for identifying change over time (Saunders, Lewis and Thornhill 2003). To get a picture of CSR in the Brazilian context, a search was made in the Factiva database. Factiva is a database provided by Dow Jones and Reuters with business information from nearly 31000 sources, covering 23 000 publicly traded companies in 200 countries. Factiva provides search statistics for every search made, including statistics for sources, industries, companies, dates and keywords (Factiva 2011). These features have been used as research tools in this study. The search was conducted on a year-by-year basis, where Brazil was chosen as region and corporate social responsibility as a subject. By doing this, the search has been restricted to only provide articles on CSR in Brazil for every year from 2001 to 2010. Due to the author's lack of Portuguese language skills, all articles were set to be in English. For every year, a list of ten keywords, based on how often the words appeared in the articles, was used as base for selecting articles. Of a total number of 780 articles from 2001-01-01 to 2010-12-31, 81 were selected for the study. More detailed information is presented on an annual basis in appendix 1. The

articles have been selected based on the content and their ability to disclose information on important events in regards of CSR in Brazil and the development of area. The articles are to shed light over actors, events or processes affecting the institutional context of CSR.

As shown in the data overview (Appendix 1) the number of articles has dramatically increased by the years, though the number of selected articles has not followed this trend. There are two main reasons for this. Firstly; as the concept of CSR has gained more momentum during the last five years, the number of articles will of course have increased with that, which explains the non-linear increase. Secondly; as the articles in Factiva are not separately assessed and divided up into categories but through a atomised computer system where if for example Brazil is mentioned in an article on CSR in the United States, this article will also come up in a search for articles on CSR in Brazil. That is the articles is labelled both as an article on CSR in Brazil and as an article on CSR in the U.S. This is more clarified in the total data overview in appendix 1, where it is in the regions chart is shown that for example 222 of the total 780 articles on CSR in Brazil is also covering the U.S. Some articles can of course be relevant for both countries, while several articles were considered as not relevant for this study.

The articles on CSR in Brazil was analysed through open coding (Strauss 1987) in Nvivo, a software program for coding unstructured data, such as articles and interview. In accordance with the grounded theory approach, the author approached the data with as few as possible preordained thoughts of theory, as to let the data lead the research. The coding of the articles led to 20 categories (displayed in appendix 2). This was considered plentiful by the author and a review of the nodes and categories were conducted. Links between actors, issues and companies were found, and emerged into a selection of three specific cases. In grounded theory, the selection of cases has a crucial role as it defines the set of entities from which theory can be created (Eisenhardt 1989). In this study, the selection of the cases came as a result from the first step of data analysis, in line with the inductive way of letting the data lead the research. The three cases, *The Soy Moratorium*, *The Sustainability Index*, and *The Equator Principles* were chosen based on the reporting of important issues over time. The soy moratorium and the Equator Principles both had features of challenges legitimacy, while the Sustainability Index showed development of sustainability practices in Brazil. A second data collection was made, in order to gain more information of the three cases, and to complement the companies identified in the coding of the articles. From the previously mentioned categories, several companies had been identified and linked to the cases, which resulted in base for the selection of the companies. In line with Eisenhardt's (1989) arguments, that the most important

thing in case selection is to choose cases that are likely to replicate or extend the emerging theory. The companies identified in the initial coding and additional research of the companies, where researched in order to find as much as possible material in form of corporate communication on the cases, this to have a suitable amount of data to analyse. The focal organisations were selected based on the companies with the most extensive reporting on the issues. A total number of nine companies were selected. This is very much in line with Eisenhardt's (1989) statement that case studies can involve both single and multiple cases.

The research theme that had guided the research so far had been the institutional understanding of CSR in Brazil, why the previous steps had been taken. At this point in the study the three cases were identified, and a specification of the research question was needed. As mentioned above, the cases had features of challenged legitimacy, which led the author to look into legitimacy theory, namely Suchman's (1995) theory on strategies for gaining, maintaining and repairing legitimacy, Palazzo & Scherer's (2006) theory on legitimacy in a globalising society and Patriotta et al's (2011) theory on legitimacy creation through justification. Further, as the cases all involved some form of civil regulation a second literature review was conducted based on findings in articles on CSR in Brazil. This overlapping of data analysis and data collection is one of the cornerstones of grounded theory (Eisenhardt 1989). Based on the chosen theories a number of categories were created for analysing of the collected corporate communications. The aim was to see how strategies of legitimacy were to be identified in the corporations' communications on the chosen cases over time, in order to understand how Brazilian companies create legitimacy for their sustainability practices.

3.2. Reliability and Validity

The terms reliability and validity are inherently tools of the positivistic epistemology (Golafshani 2003). Reliability refers to whether a study's results are consistent over time, accurately represent the total population of the study, and if the study can be reproduced with the same methodology and gain the same results (Saunders, Lewis and Thornhill 2003). Reliability often refers to the quality of the study. Quality has different meanings in quantitative and qualitative studies. For quantitative studies the quality is defining the research methods, and their purpose of explaining, while in qualitative studies the quality lies in the purpose of generating understanding (Golafshani 2003). Uncompromising critics to the use of the concept in qualitative research argue that if a qualitative study is judge by its reliability, the study is no good, as the concept fights the purpose of a qualitative study (Stenbacka in Golafshani, 2003). Though, there are some features of substance for

reliability in qualitative research. Some scholars use the term dependability when they talk about reliability in qualitative research. Lincoln & Guba (in Golafshani, 2003) stress the importance of Inquiry audit as a mean to explore the dependability in qualitative research, both as a way to examine the process and product of research. It is also argued that there can be no validity without reliability, why it is sufficient to establish validity in order to ensure reliability (Golafshani 2003). Validity refers to whether the findings of the study are what they appear to be about (Saunders, Lewis and Thornhill 2003). In quantitative studies the concept can be seen as defined by the researcher, as a contingent construct that is grounded in the processes of intentions of the specific study and methodology. It is suggested that the positivistic perception of validity, in form of rigidity of the research, is not proficient in qualitative research. Validity needs to be reconstructed to refer to rigor in exploring subjectivity and reflexivity (Golafshani 2003). Generalizability is held as one of the best indicators for validity in quantitative research, but can be questioned as a measurement for the validity of qualitative research. This is specifically important when it comes to case studies, as the generalizability very much depends on the cases studied. A prominent tool for enhancing validity, and to some extent, the reliability is triangulation (Golafshani 2003). There are several ways to approach triangulation, but it is most commonly known as an approach where several methods are used as way to ensure accuracy of the result, by proving that interpretations and observation can be repeatable found from different sources (Stake 2000). Triangulation is a predominant methodology in constructivist studies, as the epistemology implies that knowledge is created and that change can depend on contextual circumstances. The ever-changing surroundings of a study requires “*valid and reliable multiple and diverse realities*” (Golafshani 2003, 604) to acquire a credible study. The triangulation can be employed by multiple methods, data sources or investigators (Golafshani 2003).

Reliability and validity have certain implications for this study, due to the nature of the study. The specific features based on the study’s constructivist foundation, inductive methodology, and the case study approach has led to rigorous consideration by the author in regards to the concepts. The author has taken some general measurements to assure the validity of the study. Firstly, the author has tried to be as transparent as possible in regards of describing the research process. It is important for the readers to be able to follow the proceedings of the author, in order to be able to verify the research process (Wolcott 1990). Secondly, the author has, to her out most, attempted to describe the epistemological stand point and methodological approach and their implications on the study, to create visibility in regards of pre-existing assumptions. Thirdly, the

sources of the used data are cited correctly, in order for readers to be able to look up the data and make their own validation of the choices and interpretations of the author. Wolcott (1990) argues that it is important for the researcher to make the data available to the readers, in order to let the readers draw their own conclusions of the collected data.

Charmaz & Bryant (2011) present ways of increasing credibility for grounded theory research; data credibility and analytical credibility. Data credibility refers to the quality and sufficiency of the data to accomplish the research goals. Here, questions of amount, depth and accuracy come in to consideration (Charmaz og Bryant 2011). All data in this study are of secondary type, which is data collected and published by others and not the author (Saunders, Lewis and Thornhill 2003). Firstly, the articles on CSR were selected through an automatic search engine, based on key words provided by the author. This implies that the articles chosen are based on the search engines definition of the key word (CSR) and not on the author's own definition. Though, as the search engine is widely known and used, and the number of articles (780) vast, the author consider the data representative and credible for the development of CSR in Brazil. Secondly, the focal organisations' webpages was rigorously searched for all possible information on the case issues, and all forms of corporate communication was collected. To assure that the companies' were thoroughly search; the author also conducted a Google-Internet search, where the company's name and issue specific key words was the base for the search, in order to find information that possibly could have been missed in the search on the company's webpage. The author has also employed a data triangulation as a method to enhance the accuracy of the result. In this study, different forms of sources were used. The cases were derived from newspaper articles, and complimented by non-governmental organisations publications, to get as detailed information and deeper understanding as possible on the cases. In the case of the focal organisation data was collected from annual reports, sustainability reports, press releases and webpages. To draw information from different sources is important in constructivist studies to get as detailed view of the case. Analytical credibility refers to the accuracy of the data analysis. Grounded theory has a specific approach to data analysis, which has been considered by the author. When coding the articles on CSR in Brazil, the author attempted to have as little as possible influence from theories and pre-existing assumptions, so called open coding.

Generalizability is a tricky concept when it comes to case studies. The cases' specific institutional backdrop and time specific features make it hard to evaluate the generalizability of this study. Also the author's interpretation of the data, which is subjective, makes the generalisation of

the results complicated. Here, the study aims to be as transparent as possible in regards of methods and assumptions, and the results are presented in a more general way. The author has aimed to identify specific distinctions of the cases in order to see how the companies create legitimacy in specific situations, which to some extent could be generalised to other situations. The author has also tried to select focal organisations of somewhat different sizes and from different industries in order to be able to draw on information from different types of organisation.

4. Theoretical Discussion

In this chapter will the theoretical framework that is the foundation for this study be presented and discussed.

4.1. Legitimacy

Legitimacy can be understood as stemming from conformity between an organisation and its surrounding environment (Mauer, 1971; Pfeffer, 1981; Mayer & Scott, 1983). It is argued that the definition has too much emphasis on the cognitive dimension of the concept, that is, an organisation is legitimate if it is understandable in its context. Suchman (1995) offers a definition where both the cognitive dimension and the evaluative dimension, i.e. an organisation's legitimacy is dependent on how desirable the organisation is in its context.

*“**Legitimacy** is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within the socially constructed system of norms, values, beliefs, and definitions.”* (Suchman, 1995:574)

Legitimacy is, in this definition, a dynamic concept and can be understood as an outcome of a negotiation between structure and agency. This is explained by how legitimacy is seen as an assumption or perception, in the meaning that it represents the reaction of the observers to the organisation. In this way, legitimacy is possessed objectively but created subjectively. In the same line of argument, legitimacy is socially constructed, as it reflects the congruence between the behaviour of the organisation and the beliefs of at least some groups in its environment. A legitimate organisation is thus dependent on a collective audience but still independent of particular observers (Suchman, 1995).

The literature of organisational legitimacy can generally be divided into two camps: the strategic approach and the institutional approach. The strategic approach has an agency-oriented approach to legitimacy in the way that legitimacy is seen as an operational resource of the company (Suchman, 1995). The basic assumption is that there is a high level of managerial-control over legitimisation processes (Palazzo & Scherer, 2006). Hence, legitimisation is perceived as purposive and calculated and based on the organisations ability to instrumentally manipulate and deploy norms, beliefs and symbols in order to gain societal support (Suchman, 1995). The institutional tradition understands legitimacy as a set of constitutive beliefs, which are not to be extracted from the surrounding environment. By contrast, legitimacy is a result from the organisation's cultural embeddedness in the generally accepted societal norms, beliefs and values (Palazzo & Scherer,

2006). Legitimacy is not something tangible to be managed, but constructed by external institutions and actors by their interpretation of the organisation. In this tradition of thought, legitimacy and institutionalisation is close to synonymous, as both represent processes of making organisations and their practices natural and meaningful (Suchman, 1995). The two perspectives have different focus on legitimation and legitimacy, which can have consequences in application and outcome, as they determine which dynamics are researched and which are overlooked. As in all agency-structure problems, there is no right or wrong, but a matter of perspective. In the contemporary world, organisations will face both strategic challenges as well as institutional constitutive pressure, why Suchman (1995) argues for an integrative approach where legitimacy can be seen as an organisational resource as well as a taken-for-granted belief system.

4.1.2. Pragmatic Legitimacy

Pragmatic legitimacy stems from calculations of self-interested individuals in the organisations immediate audience (Suchman, 1995), that is, the organisations key stakeholders in the wider public (Palazzo & Scherer, 2006). Hence, pragmatic legitimacy at the simplest level can be seen as a form of *exchange legitimacy*, where a stakeholder ascribes legitimacy to an organisation in exchange to an expected benefit from the organisation (Suchman, 1995). The exchange often takes form of tangible benefits such as payment or cost reduction, but can also be more intangible like macro economical outputs. A challenge for organisations are therefore to be able to influence or manipulate the stakeholder's calculations of the organisations output, procedures and structure (Palazzo & Scherer, 2006). Another form of pragmatic legitimacy is termed *influence legitimacy*, where the audience not necessarily support the organisation because of a favourable exchange, but because the organisation is seen responsive to the audience biggest interest. To show this form of responsiveness, for example through adapting a stakeholder's standard as its own, is many times more important than producing immediate results (Suchman, 1995). The last form, *dispositional legitimacy*, is the least considered form of pragmatic legitimacy. There are tendencies in the modern institutional order to personify organisations and ascribe them personal attributes. Stakeholders accord this form of legitimacy to organisations that are perceived to have a desired attribute like trustworthy or honest. This can be thought as naïve, but is an important source of positive evaluation and generalized perceptions of the organisation (Suchman, 1995).

4.1.3. Moral Legitimacy

Moral legitimacy refers to stakeholders' conscious moral judgement of an organisation's outputs, procedures and structures (Palazzo & Scherer, 2006). These judgements are based on positive normative evaluations and unlike the pragmatic legitimacy; moral legitimacy rests on the judgement about whether an organisation's activities are the "right thing to do", not whether they are beneficial to the audience. This form of legitimacy is anchored within the organisation, its values and moral judgement, why it is more difficult for managerial manipulation. There are three forms of moral legitimacy: consequential legitimacy, procedural legitimacy and structural legitimacy. Personal legitimacy is sometimes mentioned as a fourth form of moral legitimacy and stems from individuals within the organisation. This is a more rare form than the other three, but an important form when it comes to institutional change. In times of institutional change, individuals can appear like institutional entrepreneurs, disrupting old institutions and initiate new ones. Consequential legitimacy is based on the quality and output of the organisation, but not so much in a practical or objective way but in a socially defined way. In sectors when it is difficult to measure clear outcomes, the emphasis is on the processes and procedures. Hence, an organisation can gain moral legitimacy through applying socially accepted techniques and procedures to gain moral legitimacy, so called *procedural legitimacy*. The third form of moral legitimacy stems from the way an organisation is structured. An organisation can be perceived as legitimate when its structural characteristics are in accordance with a generally accepted and respectable organisational form. When procedural legitimacy focuses on discrete routines within the organisation, the *structural legitimacy* stems from the systematic activity over time (Suchman, 1995).

4.1.4. Cognitive Legitimacy

The two previous forms of legitimacy are based on the audience's interest in or evaluation of the organisation. This third form of legitimacy has its roots in the cognitive understanding of the organisation (Suchman, 1995). An organisation has cognitive legitimacy if the organisation in its societal context is considered inevitable and necessary. The audience sees the organisation as given for providing the service in question (Palazzo & Scherer, 2006). Cognitive legitimacy is the most powerful source of legitimacy (Suchman, 1995) and it mainly operates at a subconscious level, this form of legitimacy is very sensitive for manipulation. When an attempt to manipulate the cognitive legitimacy is discovered, the audience's subconscious support to the organisation is transformed into a conscious consideration and opposition because the practices are perceived as unacceptable (Palazzo & Scherer, 2006). Cognitive legitimacy can stem from comprehensibility or taken-for-

grantedness, and the difference lie in how one perceives the world the organisation acts in. Legitimacy stemming from *comprehensibility* is based on the assumption that the world is a chaotic cognitive environment where actors struggle with arranging and categorize impression into understandable accounts. In this context, legitimacy arises when there are cultural models explaining the organisation and its activities. Not all explanations are perceived plausible; to provide legitimacy an explanation must converge with the bigger belief system and the reality of the audience own belief system. The most powerful source to legitimacy is the *taken-for-grantedness*, where alternatives to the organisation become unthinkable and the legitimate organisation becomes unassailable (Suchman, 1995).

4.1.5. Reflections

Pragmatic, moral and cognitive legitimacy all coexist without a hierarchical relationship, but there are two significant differences between the three. First, pragmatic legitimacy stems from the self-interest of the audience, whereas moral and cognitive legitimacy implicate larger cultural rules (Suchman, 1995). That is, organisations can “purchase” pragmatic legitimacy through directing tangible rewards to the audience, which affects the audience perception of how good the organisation converge with the self-interest of the audience. Cognitive and moral legitimacy is dependent of the wider cultural context, and contraventions with these cultural norms tend to diminish the legitimacy with the firm. With this said, pragmatic legitimacy is the form of legitimacy that correlates best with the strategic approach, which regard legitimacy as an organisational resource that can be managed. Whereas moral and cognitive legitimacy focus on cultural embeddedness are more in line with the institutional approach to legitimacy. Secondly, both pragmatic and moral legitimacy rest on evaluations by the audience, while cognitive legitimacy rests on subconscious assumptions (Suchman, 1995).

4.2. Corporate Legitimacy Strategies

From the institutional perspective, acquiring legitimacy is somewhat equal to the institutionalisation process (Suchman, 1995). In this view, institutions are not just formal organisations of governmental or non-governmental kind but can also be understood as rules, cultures, norms and values (Matten & Moon, 2008). Institutionalisation can based on that be described as the process in which a material practices acquires legitimacy. Material practices are driven by regulative, normative and mimetic pressures and shape legitimacy through theorisation. That is, a material practice is represented, interpreted and legitimated through language (Green, Li & Nohira, 2009). Communication is thereby a fundamental part in legitimacy management, and

extends beyond the traditional discourse, to include meaning-creating activities and nonverbal displays. There are three main challenges of legitimacy: gaining legitimacy, maintaining legitimacy, and repairing legitimacy.

4.2.1. Gaining Legitimacy

When an organisation is to enter a new line of activity, especially if there are few other actors within that line of activity, the organisation faces the challenge of gaining acceptance of the activity or as practitioners of the activity. Firstly, when organisations deploy a new practice or technology the organisation must make a substantial effort to create a sector that is, creating objectivity and exteriority. Thus, creating a sense of that the sector subsists independently of existing practices. If the new line of activity is close to an existing sector, a need arises to disentangle the new line of activities from certain pre-existing regimes. Secondly, when an organisation wants to enter a new sector, the challenge lies in to gain acceptance from pre-existing legitimate actors and to gain acceptance as a practitioner of the new line of activity (Suchman, 1995).

There are three main strategies for gaining legitimacy. One of the easiest ways is to *conform to the environment*, through positioning the organisation within a pre-existing institutional regime. Pragmatic legitimacy can be achieved through identify and meet substantive needs of certain stakeholder groups. One common strategy for gaining moral legitimacy is to embed new practices in pre-existing networks of legitimate organisations. To be perceived as comprehensible or taken-for-granted, an organisation can conform to established models or standards. By mimicking best-in-class actors in the field, so called mimetic isomorphism, an organisation can gain cognitive legitimacy (Suchman, 1995).

The second strategy for organisations can deploy to gain legitimacy is to *select a suiting environment*. This can be challenging because of pre-existing cognitive taken-for-grantedness can prevent organisations to find new possible arenas to position the new line of activity. For organisations seeking pragmatic legitimacy this can be done through market research. The organisation need to find products, or in the case of influential legitimacy, issues that answer to certain stakeholder needs. Moral legitimacy is more dependent on general cultural norms, which limits the organisation's choice. Though, the range of moral criteria is somewhat broad and the organisation can choose an opposite set of norms and select appropriate goals to match that. In order gain cognitive legitimacy an organisation can chose to conform to generally accepted formal requirements, such as seek certifications (Suchman, 1995).

To conform or select environment are not always sufficient strategies for organisations to gain legitimacy. Especially in the case of new inventions there is a need for the organisation to *manipulate the environment* and sometimes find new explanations of social reality. As mentioned above, pragmatic legitimacy is the easiest form to manipulate, and an easy strategy is to advertise in order to persuade change. To gain moral legitimacy is a bit more complicated as the organisation must accumulate a record of technical success. This can be done through be transparent of validating procedures, structures and personnel. Technical success is most convincing when diffused through organisations, and groups of organisations can promote a conversion to a morality where their actions and outputs are perceived legitimate. In regards to cognitive legitimacy an individual and collective strategy can be applied. To gain comprehensibility or taken-for-grantedness the basic strategy of persisting with the chosen practices can be selected. Thus, a more collective approach has more transformative power. Explicating new cultural formulations through popularising a practice or encouraging isomorphism through standardisation are generally more effective (Suchman, 1995).

4.2.2. Maintaining Legitimacy

To maintain legitimacy is far easier than to gain or repair legitimacy. Though, the main challenge is institutional rigidity. If a practice becomes to stable it often entails rigidity, and institutionalisation often creates opposition. In addition, the audience is seldom homogenous (Suchman, 1995), especially in this modern pluralised society (Palazzo & Scherer, 2006). Today's reality offers a divers and fragmented reality for organisations to handle (Palazzo & Scherer, 2006; Suchman, 1995) and this propose the challenge of legitimacy to become a "house of cards", where organisational isomorphism and other processes create homogenous organisations, while the environment constantly changing. This opens up for institutional entrepreneurs to invent new institutional forms, threatening the previous order. Hence, a too much rigidity and too little adaptability will result in losing legitimacy. For this reason, legitimacy can never be regarded as a done task. Maintaining legitimacy generally falls under two categories, monitoring change and protecting previous achievements. An organisation can also stockpile goodwill and support, as a sort of capital reserve, which allows the organisation to deviate from the social norms without too vast consequences (Suchman, 1995).

To ensure to be up-to-date with current change in the institutional environment, organisations can apply monitoring strategies in order to *perceive change*, covering the cultural environment, by employing boundary-spanning personnel. In regards to pragmatic legitimacy, this

can be realised through letting certain groups of stakeholders participate in decision-making. For moral legitimacy it is the other way around, in order to gain legitimacy an organisation can incorporate multiple ethics, more practically, the organisation can pursue professionalization through letting organisational members participate in external normative discourses. To maintain cognitive legitimacy, an organisation must keep an eye on multiple outlooks, through employing units questioning taken-for-granted assumptions (Suchman, 1995).

The second main strategy for maintaining legitimacy is to protect accomplishments. A general strategy is to transform the legitimacy from episodic to continual forms, in order to increase security. More practically, the organisation can control internal practices to avoid wrongdoings and convert highly visible legitimization efforts to more subtle ones. To ensure pragmatic legitimacy the organisation must keep a consistent and predictable level on output and eliminate uncertainties. Maintaining moral legitimacy can be done through exemplifying responsibility, not only abstaining from immoral activities, but also downplay the purely instrumental or consequential concerns. At a cognitive level, the organisation should apply straightforward strategies, making the organisation seem natural and inevitable (Suchman, 1995).

4.2.3. Repairing Legitimacy

The task of repairing legitimacy is quite similar to the task of creating legitimacy, with the big difference that repairing legitimacy usually is of reactive characteristics as an answer to unforeseen crisis. A common case is managers who are caught up by their own legitimating myths and fail to notice decline in cultural support. A reactive way of handling such a crisis is to employ familiar legitimization tools and claims, which often has lost its power through the crisis process. A legitimacy crisis is often mutualistic and it is not only the focal organisation that can be affected, but also allies in the legitimacy process, and disassociation from the problematic organisation is common (Suchman, 1995).

Many strategies for gaining and maintaining legitimacy can also be employed in legitimacy repair processes, as long as the organisation have some sort of credibility left and a connection to its audience. However, it is often needed to address the immediate disruptions before employing the legitimating activities. An initial task is to normalise the event that separates the event from the overall assessment of the firm. From a pragmatic point of view is to *deny* the problem, which if it is not a sincere denial can provoke even bigger problems for the company in regards of legitimacy. Another strategy is to *excuse* the event by questioning the management's moral responsibility, which can backfire as it suggests lack of managerial control. To avoid to get perceived as lacking

control, a company can justify the disruption and redefine ends and means, to make the disruption fit into the cognitive and moral beliefs. One last strategy is to *explain* the event in a manner that eliminates moral responsibility to preserve a form of cognitive legitimacy. To facilitate re-legitimation an organisation can undergo a strategic restructuring. There are two main strategies for restructuring. Firstly, the organisation can create instances of *monitoring*, such as watchdogs, in order to insure that the event will not reoccur in the future. Secondly, the organisation can restructure through disassociation, for example disassociate executives through replacement, or disassociate from deligitimate organisation, practices, geographic areas or structures (Suchman, 1995).

4.3. Legitimacy in an Increasingly Globalised Society

The mainstream conceptualisation of legitimacy is based on the traditional nation-state understanding of the society, where societal norms are rather homogenous and the geographical scope limited. In a society like that, cognition and taken-for-grantedness are the main source of legitimacy. There is often a strong focus on the societal norms, and for organisations to act accordingly with the moral foundation of the society. This traditional approach to legitimacy has been challenged in the increasingly globalised world, where the moral concept has grown more heterogeneous and societal norms are not seen as generally accepted. The taken-for-grantedness has therefore lost its position as the main source for legitimacy. The globalisation process also undermines the pragmatic legitimacy, as strategic approaches to creating legitimacy, like lobbying and branding, often provokes public resistance in form of anti-globalisation and no logo movements. In this new world order, moral legitimacy would therefore be the core source of societal acceptance (Palazzo & Scherer, 2006).

A political conceptualisation of a corporation stems from the corporations ability to provoke public concern resulting from power. The new political role of companies in a globalised society has implications for the corporation's role in society, as well as, the public expectations of the company. The lack of global regulations has forced companies to self-regulation through standards, multi-stakeholder initiatives and increased transparency of business practices. The moral demands of the company is extended to the whole supply chain, companies are responsible for the structural connections rather than the legal requirements. In this pluralistic society, other social actors, such as NGOs have gain importance, using the increased power to scrutinise corporations' behaviour all over the globe. This has opened up corporate decision-making to civil society discourses, and

legitimacy has become more dependent on interaction with other societal actors (Palazzo & Scherer, 2006; Scherer & Palazzo, 2011).

The institutional approach to legitimacy has traditionally a strong focus on the importance of structure, or environment, in the legitimacy processes. Recently, there is a tendency for institutionalists to reintroduce an increased amount of agency into the process. This has implied a discourse driven approach where language, rhetoric and analogical reasoning plays a more vital role in the legitimacy creating process (Palazzo & Scherer, 2006; Patriotta et al, 2011). However, the focus is mostly on how organisations use the idiomatic tools in the legitimacy process, and not as a means of interaction between social actors. It is argued that there still is a lack of understanding of how social actors play a role in disputes over legitimacy. Patriotta et al (2011) presents a middle way between institutional and strategic approaches, where there is room for both agency and structure, based on Boltanski and Thévenot's (2006) theory on justification. According to this theory, legitimacy rests on a set of 'orders of worth', a form of higher principles based on different logics, which people usually resort to when disputes arise on coherence and social justice. These principles can, just like institutional logics, represent higher common principles reflecting legitimacy for organisations or practices. Though similar, institutional logics tend to see the common principles, or institutional logics a segmented in stabile institutional fields, and shifting from one field to another promotes institutional change. The only time agency arises is in times of change so called institutional entrepreneurs. On the other hand, the theory of justification presents institutional environments fragmented in plurality of orders of worth, and the social order is negotiated on an on-going basis. Legitimacy is created through a process of social debate among social agents (Patriotta et al, 2011). The pluralistic society has restricted the possibility of solving a normative conflict with referring to socially accepted norms of shared tradition and values, implying that communication have become the most important tool for mutual recognition and legitimacy creation and maintenance (Palazzo & Scherer, 2006).

One approach for addressing the above posed problem is to employ a deliberative democracy approach to legitimacy. Deliberative democracy puts moral reasoning in the centre of politics and focus on input, civic participation, opposed to liberal democracy focusing on output, societal welfare. Deliberation is the process where societal actors address their conflicts through sharing information and exchanging arguments, striving for mutual understanding and agreements. In this context, legitimacy is based on the linguistic construction of the public sphere. The development of deliberate democracy is fuelled by the diminishing nation-state and rising

significance of civil society actors (Palazzo & Scherer, 2006). As states lose power, other societal actors start dealing directly with the corporations, the new owners of power (Palazzo & Scherer, 2006; Reich, 2007). The civic society becomes the mediating power between corporations and morality and the corporate activities become governed by the public discourse of civil society, instead of societal taken-for-granted rules (Palazzo & Scherer, 2006).

The justification perspective on legitimacy has its foundation in attempts of defining the common good, and on how individuals use various rationales to advocate their position on what is fair and unfair. The central thesis of the theory is that agreements and discord in society rely on six 'orders of worth' or 'common worlds'. When a conflict arises, societal actors invoke the arguments and rationales from one or several of the six orders of worth. If the arguing actors use different orders of worth, a negotiation and compromise will be necessary. The six orders of worth are the civic world, the world of fame, the market world, the industrial world, the domestic world, the inspired world and the green world. Each common world has criteria for defining and evaluating legitimacy based on what is considered as the common good. This approach to legitimacy brings in agency as an important factor, as focus lies on the actors' ability to challenge institutions, negotiate and converge towards agreement (Patriotta et al, 2011).

5. Empirical framework

In this section the empirical findings of the research will be presented and analysed based on applicable theory.

5.1. Deforestation in the Amazon

5.1.1. Development of Measurements to Hinder Deforestation

The Amazon is the largest remaining rainforest in the world, with an estimated quarter of all known land species, of which several species only lives there, like the jaguar, the pink river dolphin and the world's largest flower and new species are found on a regular basis. It is not only the natural habitat of a vast number of plants and animal, but over 20 million people live there. There are hundreds nations of indigenous people in the Amazon, of whom some have never been contacted by non-indigenous people. The Amazon is a very special ecological system storing 80 to 120 billion of tonnes of carbon, helping to stabilise the planets climate. The Amazon therefore plays a crucial part of remedying the on-going climate change. A fifth of the Amazon rainforest has already been destroyed by unsustainable use by several industries, such as timber, cattle ranching and crops like soya. Climate change is also affecting the biome, causing drafts and forest fired, which causes more deforestation, causing more climate change (Greenpeace 2011). In 2004, Greenpeace started an investigation in the Amazon looking into soy plantations' impacts on the deforestation. There has for a long time been a known fact that the Amazon rainforest is deforested in order to make room for soy bean plantations. The investigation ended in a report called 'Eating up the Amazon' looking into the entire supply chain, from the soy plantations in the Amazon, to the soy trading firms in the United States, all the way to restaurants and supermarkets in Europe (Greenpeace 2006).

The soybean industry has grown intensively in Brazil, leading to an expansion of the agricultural frontier. In 2006, soy was a major cause of deforestation in the Amazon (Greenpeace 2006). Greenpeace and other organisations engaged in the Amazon deforestation issue have opposed to the infrastructural developments, built in order to facilitate the transport of soybeans from the area. The conflict was intensified when the Brazilian government announced that they would pave a highway through the state of Mato Grosso, to export the soybeans in a timelier manner (Leahy 2006). The Greenpeace investigation used satellite images, aerial surveillance and previously unreleased governmental documents to expose all illegal links in the soybean supply chain. Three major soy processors, accounting for 60 per cent of the financing of the soy production in Brazil, were given the blame as the main driver of deforestation. The companies in question were, ADM, Bunge and Cargill (Greenpeace 2006).

As a response to the Greenpeace's report leading European supermarkets, food manufactures and fast-food chains pledged not to use soya illegally grown in the Amazon region (Dow Jones News Service 2006). The boycott from the European companies triggered rapid measures from the Brazilian soy industry, represented by the two main business associations Abiove and Anec. The association announced that a governance system will be in place in order to make sure that there will be no soybeans from deforested areas in the crop of 2006/2007 (AE Brazil 2006). To ensure the implementation of this moratorium, called the Soya Moratorium, a working group, The Soy Working group, with participating parties like Bunge, Cargill, ADM and Amaggi, and also NGOs including Greenpeace, Conservation International, TNC, IPAM and WWF, was created. The initiative was also supported by the Brazilian government, which were to provide mapping and registration of rural properties (Greenpeace 2009). All though the agreement was praised by Greenpeace, critical voices were raised, arguing that a one year ban is not enough. Soy is normally the third use of deforested areas, where the first year the land is cleared, slashed-and-burned and prepared for cattle, while the second year the area is usually used for rice plantations and then thirdly, it is used for soybean plantation (Associated Press NewsWire 2006). In 2008 the Moratorium was extended till 2009 and the Environmental Minister, expressed a wish for extending the agreement to other sectors, such as timber and cattle (Reuters News 2008). In line with the Environmental ministers wish, the state of Para, the largest timber producing companies and representatives from the federal environmental ministry agreed on a pact aiming to ban trade in illegal timber. This initiative built on the fruitful cooperation of NGOs, government and corporation to create the Soya Moratorium (Minami 2008).

Greenpeace started a new investigation in line with the 'Eating up the Amazon' focusing on the cattle industry. The report by Greenpeace was called 'Slaughtering the Amazon' from 2009, where the organisation exposed the link between forest destruction and cattle ranching in the Amazon (Greenpeace 2009). Cattle farming is said to be one of the biggest threats to the remaining Amazon rainforest. In 2009 the cattle industry was said to occupy 80 % of all deforested areas in the Amazon (Greenpeace 2009). The industry does not only use previously deforested areas for its cattle but is also seen the cause for destruction of the Amazon, as 65-75 % of the deforestation is assessed to be a product of the increased cattle farming in the area. This is an urgent problem as clearing tropical forest for agricultural purposes is estimated to produce 17 % of the world's carbon emission (Carrington and Philips 2009).

The report made big international companies, such as Adidas, Nike and Timberland, to act upon deforestation by committing to cancel contracts with all suppliers that could not guarantee their products to be free from Amazon destruction. The ban of these products was also backed by the Brazilian association of supermarkets, including big actors like Wal-Mart and Carrefour. The threat of cancelled contracts made the largest cattle companies in Brazil, JBS-Friboi, Bertin, Minerva and Marfrig, to join forces to ban purchase of cattle from deforested areas. The companies declared that they will implement environmental and social management practices and to monitor their supply chains in order to converge with Amnesty's calls for zero deforestation in the rainforest (Carrington and Philips 2009).

In 2010, Brazil's Ministry of Environment announced that the success with banning timber, cattle and soybeans from deforested areas in the Amazon will be extended to another sensitive biome in Brazil, the Cerrado, one of the richest savannahs in the world. 49 per cent of the Cerrado's original vegetal ecosystem has been lost and the remaining 51 per cent is not properly protected. The main industry causing this deforestation is the charcoal sector. According to the action plan presented by the government, there will be a ban of charcoal made from native trees in the Cerrado (PNA 2010).

5.1.2. André Maggi Group

André Maggi Group (Amaggi) is a Brazilian company in the agricultural and soybean seed production industry, specialising in origination, processing and commercialization of grains; fertilizer; energy and fluvial transport (Amaggi 2011). In 2006, when the Greenpeace report 'Eating up the Amazon' was published and international food and fast food corporations threatened with boycott, Amaggi together with several other soybean traders, business associations and non-governmental organisations initiated a moratorium banning soybeans from deforested areas (Greenpeace 2009). Amaggi states that the company takes pride in being a sustainable company and aims to be a pioneer in the area (Amaggi 2011). The company reports quite extensively on its participation in the Soybean Moratorium. The initiative is presented in rational terms, as a mean to defeat deforestation and protect the environment. The company explains the rationale of the moratorium and stresses the time aspect as to create cognitive legitimacy for the company's participation in the initiative.

"This initiative scheduled to last for a two year period seeks to reconcile preservation of the environment with economic development through the responsible and sustainable use of natural resources." (Amaggi 2008 a)

Amaggi describes the process leading up to the soy moratorium, creating a fundament built on professionalism and thorough research, where authority from experts helps creating cognitive legitimacy for the project. At the time being, the initiative was fairly new; Amaggi chose to assure the accuracy and stability of its foundations, it could be understood as a defence of its new practices after the Greenpeace critique of the lack of supply chain control. This can also be seen as a way for the company to formalise previously informal or non-existing practices.

“The first stage in this development process was the identification of the most significant social and environmental aspects of soy production carried out in 2006 by a smaller group of specialized professionals and experts on the subject of international reputé.” (Amaggi 2008 a)

The moratorium is a multi-stakeholder initiative, which is highlighted by Amaggi. The company states that the responsibility for implementation and validation of the processes of the moratorium is jointly handled by the soy working group. The emphasis shows dedication to a democratic dialogue between affected stakeholders, and helps creating moral legitimacy to the initiative.

“With the task of monitoring production, the business sector and civil society organizations have united via the GTS (Soy Workgroup) responsible for implementing and controlling the Moratorium process.” (Amaggi 2008 a)

To validate the initiative's processes, Amaggi underlines the collaboration with governmental agencies. The governmental endorsement of the project helps to professionalise the project, as a legitimate governmental authority has been willing to collaborate with the multi-stakeholder initiative. This is a strategic step in the process of gaining cognitive legitimacy to link the practices to other legitimate institutions.

“Using data from the PRODES (Program for the Calculation of Amazon Deforestation) system at the National Institute of Space Research (INPE), 193 deforested areas of more than 100 hectares were identified within the soy production regions...” (Amaggi 2008 a)

Amaggi focuses on verification of the practices to underline its moral commitment to the moratorium. In order to show that it the issue is taken seriously by the company, and the other stakeholders within the soy working group, the company describes how the problem is tackled in material way.

“During the first assessment in the field, all these areas were flown over, photographed and documented with the aim of identifying the type of actual soil use and incidence of soy plantations in these areas.” (Amaggi 2008 a)

When the moratorium was renewed in July 2008 for one more year, Amaggi issued a press release where the company clearly described its own commitments to the initiative, as well as other actors; the government, civil society groups and other corporate actors. The company uses dialogue as the word for defining the process, linking the initiative to contemporary globalisation trends. In an increasingly globalised society, actors are more dependent on other stakeholders to validate and legitimate its own practices, why a constructive dialogue is a suitable tool to solve issues where several stakeholders are affected, such as deforestation.

“Acknowledging that this initiative of a constructive dialogue to improve governance has achieved positive results...” (Amaggi 2008 b)

The ensuring of a long-term commitment stresses the company’s intentions of creating predictable outcomes, which is zero deforestation in the company’s supply chain, as a way of maintaining the company and the initiatives legitimacy. This maintenance mechanism helps diminishing doubts of mere instrumental considerations, and affirms long-term commitment.

“As the term the Moratorium is valid for comes to an end on July 23 2008 all parties involved have committed themselves to ensuring continuity until July 23 2009.” (Amaggi 2008 b)

The same commitments presented in the press release from 2008 were also highlighted in the annual report from the same year. Moreover, Amaggi identifies the importance of its suppliers as a crucial link, to be able to live up to the signed commitment to zero deforestation. The company acknowledges that it is a challenge, but an imperative to assure technical success.

“For Andre Maggi Group, the suppliers are tactical and essential to the evolution of our business, so they must be aligned to our practices and values. Our challenge is to mobilise and impair this chain.” (Amaggi 2009 a)

The suppliers are incorporated in the company strategy and a pilot study has been made by the company in order to find the best practice in working with all suppliers, big and small. Ensuring the validation of the processes is a way for the company to build moral legitimacy, and anchor the

commitment through the supply chain, avoiding the possibility of pragmatic perceptions of the company.

“For the traditional soybean producer communities located in the soybean culture expansion area ... a pilot project on the purpose of monitoring was created in order, to verify the occurrence of soybean culture in areas smaller than 100 hectares.” (Amaggi 2009 a)

The company also links the credits given to soybean farmers with the environmental performance of the suppliers. Non-compliance of environmental standards and the moratorium implies no credit to the farmers. With this, the company wants to underline the consequences for the farmers, as a way to promote compliance. The company links these new environmental criteria to old practise within the company, credit allowance, to integrate the soy moratorium in its basic strategies, promoting moral legitimacy.

“The environmental department is a part of the credit approval strategy, possessing veto power on the negotiation. This is based on the enrolment information and on the inspection to base the decision.” (Amaggi 2009 a)

In 2009 when the moratorium was renewed for another two years and Amaggi issued a press release, to promote the progress of the program. The results from previous years were highlighted, as well as the collaborative nature of the initiative. The company underline the success of the program to legitimate continuation of the program, as well as to show predictable outcomes in order to maintain the gained legitimacy.

“In agreement with the GTS, the current monitoring data – provided by the company Globalsat Sensoriamento Remoto – indicates that the expansion of soya production is very low in that region, corresponding to a figure of 0.88%.” (Amaggi 2009 b)

The press release accounts for several technical achievements and elaborate descriptions of the monitoring processes and methodology, in order to show the formalisation of the practices and to further imply technical success. The press release contains statements from several different actors involved in the initiative. The president of one of the soybean business associations, Abiove, stresses the importance of transparency, as a way of showing the proper outcomes and open up the initiative for auditing, if there are any doubts on the accuracy. This shows a moral dedication, and a

conviction that the moratorium is progressing successfully and a strong conviction of the positive impacts of the system of processes.

“The Moratorium brought a new level of reliable information that is able to assure consumers of the origin of soya. The monitoring data is available on the site www.abiove.com.br and we are open to auditing, in the name of transparency...” (Amaggi 2009 b)

The statement from the Minister of Environment, Carlos Minc, stresses the governmental endorsement of the initiative. Not only is the success of the program endorsed, but the set-up of the moratorium as a multi-stakeholder initiative. This gives professional accounts to the initiative, building up the cognitive legitimacy as it gains comprehensibility. Emphasising the advantages with the initiatives set up promotes the structural legitimacy of the moratorium.

“I recognize the positive effort and credit the significant reduction in deforestation to pacts such as the Soya Moratorium. The best way to combat deforestation is for the government, companies and ONGs to work together.” (Amaggi 2009 b)

The success of the moratorium was also to be presented at COP 15 in Copenhagen in 2009. The soy working group had decided to share its experiences of collaboratively working to reduce carbon emissions. This participation in normative discussions helps the company in perceiving change as a way to maintain legitimacy. It also popularise the initiative and promotes comprehensibility.

“The GTS plans to report the Moratorium case in a parallel session to the U.N.’s Convention on Climatic Changes, which will be held in Copenhagen in December. The objective is to show that corporate responsibility measures, such as the Soy Moratorium, can contribute positively to the reduction of greenhouse gas emissions.” (Amaggi 2009 c)

In the annual report of 2009 there is a continuous focus on the technical success and validation of the processes in the soybean supply chain. The same accounts of success as in the press releases are presented, though with more elaborate explanations to how the supply chain is managed, not only in regards of the moratorium but in environmental and social aspects in general. Additional to what is presented earlier is the highlighting of change of methodology. This can be seen as evidence of a moral commitment to the moratorium. Instead of instrumentally follow the earlier set processes; the

company underlines the initiatives ability to perceive change and adapt its practices to the new conditions.

“...the methodology for monitoring and filtering has been improved, allowing the verification of areas larger than 25 hectares. Methodology change was a reflection of the change in deforestation profile on the Amazon biome from large to smaller areas.” (Amaggi 2010 a)

The company emphasis the democratic dialogue between all stakeholders through stressing the collaboration with the producers as an end, but also as a mean to reach the overall goal of the moratorium. Though, the company takes the commitment further, and expresses a wish to change the rule of the game in soybean production, both through hard and soft law. This is a way for the company to maintain legitimacy and alluding to moral legitimacy. It can also be seen as a way for the company to be a part of the normative discussion, to be a driver of the sustainable development of the industry.

“The goal is to interact with producers whose production is commercialized by the Group, leading to a gradual improvement in terms of legal framework and socio-environmental performance standards.” (Amaggi 2010 a)

In 2010, the moratorium was renewed for the fourth time, which was highlighted by Amaggi in a press release. Continuous success of decreased deforestation and good collaboration between all stakeholders was underlined, as well as endorsement from the government and Greenpeace. The success of the moratorium was also acknowledged by a number of the company's important customers, the European supermarkets and fast food chains, which initially threatened with boycott of Amaggi before the moratorium was implemented. The company uses the recognition by these companies as a validation of improvement in the company's sustainability practises as a way for the company to protect its accomplishments and show technical success.

“The director read a document signed by the European Soy Customer Group – comprised of companies such as Carrefour, Wal-Mart Macdonald's – in which they recognize the efforts and results of the Soy Moratorium.” (Amaggi 2010 b)

The moratorium was renewed for the fifth consecutive year in 2011 and will now run until 2013. Amaggi communicated this through a press release, bringing up similar accounts as previous years,

continuing to build on moral legitimacy through technical success and collaborative methods. Once again, an announcement from the European customers was presented as a validation of the initiatives success.

When the soy moratorium was created the company focused on elaborate explanations of the initiative and its goals as a way to create cognitive legitimacy for the moratorium and the company's participation in the initiative. It was also important for the company to highlight the initiative's collaboration with agencies and organisations that already was perceived as legitimate, in order to gain compensability to create cognitive legitimacy. As the moratorium got renewed the focus shifted towards the moral aspects of legitimacy. Technical success, democratic dialogue and progression of the methods and processes are highlighted. The maintaining of gained legitimacy also takes form of emphasising recognition from earlier critics as Greenpeace and European customers. Overall, Amaggi draws on moral legitimacy when communicating on the Soy Moratorium.

5.1.3. Bunge

Bunge Brazil is a subsidiary of the American company Bunge, and is the largest agricultural exporters, oilseed processors and wheat millers in Brazil. The company provides edible oils and food products to consumers and supplies farmers with retail fertilizer products (Bunge 2011 a). When Greenpeace presented its report 'Eating up the Amazon' in 2006, Bunge was one of the companies participating in the creation of a working group to address the problem of Amazon deforestation due to soy plantations. The outcome was a moratorium, where the signing companies vowed not to purchase soybeans from deforested areas. Bunge Brazil communicates mostly in Portuguese at their webpage, and it is only the last years' reporting that can be found in English. Due to this, the analysis will start from 2008, where the first reports in English are to be found. Though, on the current webpage for Bunge the company states a commitment to the Soy Moratorium since 2006. The company highlights the participation of multiple stakeholders, both private and public, underlining the importance of democratic dialogue when setting standards and self-regulation, in order to create a moral ground for legitimacy. In the earliest communications on Amazon deforestation from Bunge, the annual report of 2008, a clear commitment to the issue is expressed. This moral commitment shows that the actions are based in an organisational belief, more than as an instrumental response to external pressure.

“The issue of deforestation, particularly in the Amazon, is also one of Bunge’s main concerns.” (Bunge 2009)

The commitment to the Amazon is backed by a description of the problem, and a causal explanation why this is an important issue. These types of simple account enhance the cognitive comprehension of the company, and give the corporate actions, in this case the soy moratorium a rationale. Bunge underpins the statement with linking the issue to scientists, which can be seen as trying to professionalise and popularise the issue.

“One of humanity’s greatest natural assets, the Amazon Rainforest is believed by many scientists to play a fundamental role in ensuring the balance of the Earth’s biosphere. Constant deforestation in the region, primarily caused by the illegal extraction of timber, livestock farming and agriculture, is of concern to the national and international community.” (Bunge 2009)

The company continues to highlight the multi-stakeholder approach to the moratorium, but no specific names are mentioned, just that there were several private and non-governmental organisations participating in the creation of the initiative. To gain legitimacy for the initiative, especially as it is prolonged for the second consecutive year, Bunge emphasise the success of the moratorium.

“Among the results achieved through this agreement was the absence of soy planted in newly deforested areas in the Amazon biome during the 2007/2008 crop year in the areas mapped.” (Bunge 2009)

The technical success can be seen as an outcome from the more formalised practices. Bunge tells about discussion within the Soy Working Group on how to best improve the practices, and to increase the validation system. One of the practical outcomes of the formalisation process is the reference map, where the dispersion of deforestation can be measured against the reference year 2006, in order to see whether or not the deforestation has increased. Mentioning the governmental agency, INEP, further increases the professionalization of the project, as it adds objectivity and expertise to the monitory programme. Several other achievements were highlighted, with the same purpose.

“Another important step was the creation of a reference map by the National Institute for Space Research, or Instituto Nacional de Pesquisas Espaciais (INPE).” (Bunge 2009)

In 2009, the soy moratorium was renewed to be running until 2011. This continued commitment by Bunge, and the other stakeholders, is the main message in the description of the initiative. The continuity of the initiative indicates a continual form of legitimacy and downplays the instrumental and episodically intentions of the moratorium. To further professionalise the initiative and to allude to cognitive legitimacy, the company underlines the governmental endorsement of the initiative.

“The renewal runs until 2011, and has been endorsed by the Ministry of the Environment, as a commitment that goes beyond the laws in effect.” (Bunge 2010)

Technical success is a recurrent element when Bunge reports on the moratorium. As the initiative does not have set criteria but working goals, the improvements and outcomes are important to show that the moratorium is effective against deforestation. Talking about success also shows dedication from Bunge, eliminating doubts that the company is not walking the talk.

“The most recent study, which was finalized in 2010, showed that soy beans were present in only 0.25% of the new deforested areas for the three-year period of 2007/2008/2009.” (Bunge 2010)

To further underline the success of the initiative and ensure validation of its process, Bunge reports on eliminated suppliers, suppliers that have not fulfilled the criteria of deforestation free soy beans. This is an important aspect, as it points out the company’s dedication and compliance to the principles.

“Five rural producers were blocked on Bunge’s records for not complying with the Soy Moratorium.” (JBS-Friboi 2011)

The moratorium is a progressive project indicating a moral commitment to do as good as possible, and to find the best feasible practice to comply with the set goals. At the same time, the company emphasizes that to find the most suitable way of handling the issue is a task for the whole working group, in order to create a dialogue, where all stakeholder have a say to get the most sufficient practice in place.

“Monitoring the areas is very complex and extensive, however, and the working group, composed of NGOs, associations and companies, is identifying a new means of conducting the studies, so as to make them more practical.” (Bunge 2010)

As the moratorium was prolonged in 2009 until 2011, the reporting in 2010 was more of a status update on the continuous work with the initiative. As a backdrop, Bunge reaffirms its moral commitment to zero deforestation. This is expressed as a target, with a quite elaborate text following, describing actions and achievements in regards of the target. The statement incorporates the time aspect, highlighting a long-term commitment, drawing on predictability and a commitment to proper outcomes. With the progress of the soybean moratorium, Bunge starts stating that the company’s soybeans are completely free from deforestation. The connection is made between the corporate efforts in the moratorium and the proper outcome, deforestation free soybeans. There is a combined effort of causal linkage creating a cognitive understanding for the corporate practices, and a moral assurance of compliant products.

“Due to these efforts and in accordance with the criteria available, Bunge acquires products that can claim 100% free of IBAMA embargoes...” (Bunge 2011)

Bunge continues to underline the team effort, of all signatories of the moratorium, to eliminate deforestation due to soybean farming, and that it is a progressive work for all parties. Bunge reports on the effects of the moratorium in its supply chain, and its firm efforts to cancel contracts with non-compliant suppliers. This is a material way to imply technical success, as the cancelling of contracts shows validation of the processes of living up to the commitment of the moratorium.

“Bunge already has its evaluation on 2010/2011: in all, 72 producers were put on hold for recent noncompliance with the Moratorium rules.” (Bunge 2011)

There is a clear shift in Bunge’s reporting on the moratorium from explaining the purpose and rationale for the index, to show success of the implemented practices. In the initial phase of the legitimization process, the focus was on creating a cognitive ground for the moratorium in order to make the company efforts to be perceived as inevitable and natural. Though, the commitment behind the corporate practice, had a clear moral feature, and the external pressure and threats of boycott was not mentioned. As the moratorium continues, an emerging need of communicating success shifts the company’s reporting towards a maintaining phase in the legitimacy process. Bunge concentrates on more moral accounts, such as the democratic dialogue, validation of the

practices and commitment to proper outcomes. There are still some cognitive aspects, but the focus lies in the moral legitimacy.

5.1.4. JBS- Friboi

JBS-Friboi is a Brazilian company working in the areas of food, leather, products for pets, biodiesel, collagen, cans and cleaning products. The company is the largest animal protein processing company in the world, and operates on all the continents of the world (JBS-Friboi 2011). The company has since its first annual report, 2007, been aware of its environmental impact and has expressed commitments to preserve the environment and assured legal compliance, but no material issues or concrete programs, processes or outcomes are presented (JBS-Friboi 2008). This non-material reporting can be seen as a pragmatic way of responding to external needs, as companies have been pressured to report on social and environmental issues. The driver for reporting is not a moral conviction, but an external pressure to conform to conventional norms. A number of quality management system, water- and energy efficiency programmes are briefly mentioned in the 2008 annual report, and also association to globally recognised Good, Agricultural Practices (JBS-Friboi 2009 a). In none of the above mentioned reports is the word *Amazon* mentioned as the company has not identified the deforestation of the Amazon as a material problem. In 2009, Greenpeace presented its report ‘Slaughtering the Amazon’ where the connection between cattle ranching and deforestation was made (Greenpeace 2009). The report was followed by threats of bans and boycotts by big shoe brands and supermarket chains (Carrington and Philips 2009). As a result of that, JBS made an agreement with Greenpeace to take action against deforestation of the Amazon (JBS-Friboi 2009 b). In a press release from September 2009, JBS-Friboi affirms its commitment to zero deforestation in the Amazon, initiated by Greenpeace.

“... the Company has agreed to make a commitment with the Non-governmental organization, Greenpeace with respect to the basic criteria to be followed in its operations in the Amazon biome.” (JBS-Friboi 2009 b)

The issue has not been mentioned earlier, and with the threats of boycott from important clients, this commitment can be seen as the company is responding to needs, opposed to act on internal moral commitments. As a way of normalising the problem, the company uses the legitimacy of a globally known organisation, which also was the one criticising the company, to endorse the company’s new commitment to sustainable practices. As a way of explaining the event, JBS-Friboi states that the company has not had this problem until it acquired Friboi, a cattle company with operations in the

Amazon area. By this, the company tries to preserve its earlier legitimacy, explaining that the deforestation issue has not been an issue, before the expansion to new areas.

“Through the acquisition of the Bertin Group in January 2010, the Company expanded its sustainable activities and practices in the Amazon Region.” (JBS-Friboi 2010)

JBS-Friboi stresses that the commitment is anchored within the organisations, and that the commitment is not only because of external pressure, but as a product of a conviction that sustainable business practices is a beneficial approach for the company. The company also shows a willingness to formalise practices in order to live up to the commitment of zero deforestation, as a way to create cognitive legitimacy for the company's actions.

“The Company also agrees that cattle and beef products can only be sourced from ranches or rural properties that are committed to the adoption of a reliable production traceability system which besides including the present requirements also includes environmental demands which will eliminate deforestation.” (JBS-Friboi 2009 b)

To further ensure commitment to zero deforestation, the company reports on formalisation of practices within the company. In comparison with how the company communicated on environmental practices before the Greenpeace report, in a non-material and unspecific way, JBS-Friboi is in this report more elaborate on how the company tackles the problem with deforestation. The formalisation will facilitate a cognitive perception of the company as taking the problems in the Amazon seriously.

“The project's objective is to establish a set of criteria for accreditation of ranches, including establishments with no condemnations for slave labor, land seizure, agrarian violence, illegal deforestation and for not owning or raising cattle in indigenous areas.” (JBS-Friboi 2010)

As a way to ensure proper outcomes, the company also presents what consequences will come for non-compliant suppliers. This form of moral commitment to the process of ensuring zero deforestation is important for the company to create moral legitimacy, and obviate doubts on mere instrumental compliance response to needs.

“JBS will formally communicate these requirements to its suppliers and those who do not comply will be excluded from the Company's supplier list.” (JBS-Friboi 2009 b)

In 2010, JBS-Friboi focuses on ensuring validation of its previous commitment to zero deforestation. The outcome of the previous year's formalised practices is highlighted

“Our actions have helped reduce amazon deforestation by 33% in the regions where we operate...” (JBS-Friboi 2011)

As well as continuous efforts to comply with the commitment underlined by the company. This is a further evidence of the company's efforts to formalise previously informal or non-existing practices, to ensure proper outcomes.

“We adopt social and environmental criteria when selecting our suppliers, using a check list to ensure compliance with Brazilian legislation related to landuse, labor conditions, preservation of indigenous areas and any other applicable matters, including areas embargoed due to illegal deforestation...” (JBS-Friboi 2011)

JBS-Friboi perceived itself as legitimate in regards of sustainability before the report from Greenpeace. With the report, Greenpeace identified a new problematic area, which JBS-Friboi had not addressed before. In a sense, the Amazon deforestation event, questioned the legitimacy of the company's sustainable cattle ranching, and the company felt a need to address and somewhat regain its legitimacy in the area. After committing to zero deforestation, the company addressed the problem in 2009. Following years, JBS-Friboi concentrates in gaining legitimacy for its adopted practices. One important strategy employed by the company was stressing the formalisation of the measurements taken to live up to the commitment to zero deforestation. Other strategic moves were to show technical success in form of successful implementation and proper outcomes and through underlining the rigorous verification programmes applied by the company.

5.2. The Bovespa Sustainability Index

5.2.1. Development of the Sustainability Index

In December 2005, the Brazilian Stock Exchange Bovespa's Corporate Sustainability index was launched (The Banker 2005). It was launched in a time of a national corruption scandal, where Brazil's sitting President Lula was accused of making secret monthly payments to allies in the congress (Zobel 2005). The index was the first of its kind in Latin America, and the second sustainability index in an emerging market, after the South African sustainability index. There are a number of sustainability indexes in developed markets, such as UK's FTSE4Good and the US based Dow Jones Sustainability Indices. The Bovespa index is inspired by its South African

counterpart, where locally applicable issues are taken into concern when setting up criteria for the index (The Banker 2005). The index has an advisory board with a number of important organisations, such as ABRAPP: Brazilian Association of Pension Funds; ANBIMA: Brazilian Association of Capital and Financial Markets Institutions; APIMEC: Association of Capital Markets Analysts and Investment Professionals; IBGC: Brazilian Institute of Corporate Governance; IFC: International Finance Corporation; Ethos Institute of Social Responsibility; Brazilian Ministry of the Environment and UNEP: United Nations Environment Programme (BM&FBovespa 2011)

The index is based on an evaluation of the 150 most liquid companies in the Bovespa universe, from which a maximum of 40 companies will be selected (The Banker 2005). The companies are to meet with the highest economic, social and environmental standards, more specifically health and safety, corporate governance, and economic sustainability to be incorporated in the index (LatinFinance 2005). All industries are eligible for the index, hence, no sin stocks, like tobacco are excluded from the index. The index has four core criteria: corporate responsibility, policies, management structure, and performance and legal compliance (The Banker 2005). The index is rebalanced every year and the participants of the index are accordingly, re-evaluated every year. Companies that do not live up to the sustainability criteria are excluded (LatinFinance 2005). One of the aims for the index is to mainstream responsible investments and facilitate for investors to invest responsibly. Responsible investments have gained importance in Brazil; in 2004 Bovespa introduced an index focusing on corporate governance issues and there has been a success for several ethical funds (The Banker 2005).

5.2.2. Petrobras

Petrobras is one of the world's leading oil companies, and the largest Brazilian company. The company is publicly traded, with the government as the biggest shareholder (Petrobras 2011). Petrobras was included in the Bovespa's sustainability Index (ISE) in 2006. Petrobras has a strong focus on sustainability and is one of the most sustainable companies in Brazil (Petrobras 2011), when the company was included in the ISE in 2006, the company perceived it as recognition for its commitment to sustainability. Petrobras communicates about the inclusion in the index with a touch of gratefulness, as if the index is an honour and a proof of accomplishment and is mentioned in the company's annual reports, sustainability reports and in several press releases. Firstly, the compliance with the index's criteria is stated as recognition of the company's existing sustainability

practices. Through stating this, the company can be seen to seek cognitive legitimacy through mimetic isomorphism, as the company is conforming to a recognized standard.

"Petrobras also won further important recognition of its performance: its selection for the Dow Jones Sustainability Index and the ISE (Bovespa Corporate Sustainability Index)" (Petrobras 2007 a)

Through Petrobras' external communication a strong focus on gaining cognitive legitimacy can be identified. The company pursues different strategies in order to create comprehensibility and taken-for-grantedness in regards of the company's sustainability practice. The index is a quiet new institution, created in 2005, and Petrobras feel a need to, through its communication, legitimate not only the company's practices but also the ISE as a generally accepted standard. The company is trying to popularize the ISE in both the annual report and in a press release. The ISE standard is described as purposeful and important for the investment environment in Latin America, making connections to a modern society, which can be understood as the markets of more developed countries, i.e. Europe and the United States.

"The ISE is a pioneer enterprise in Latin America, which seeks to create an investment environment compatible with the demands of sustainable development of modern society and encourage corporate ethical responsibility." (Petrobras 2006 a)

In addition to popularizing the ISE, the company is also creating connections between the index and the company's sustainability performance. By first identifying the index as a legitimate institution in accordance with global trends, and then connecting the company's sustainability practices in a simple and causal way, the company's actions are explained as natural and inevitable.

"Transparent performance, based on ethical principles and respect for the environment and for society in general has also led to Petrobras being included in the Bovespa Corporate Sustainability Index (ISE)" (Petrobras 2006 b)

In 2007, Petrobras was included in the ISE for the second time. The company continued to popularize the ISE with the same kind of accounts as in 2006, highlighting the index's importance in the Latin American context. The company perceive that the index has not yet gained the taken-for-grantedness to only mention the name of the index, and the company continues to boost the legitimacy of the index. This is made as a simple account to create links between the company's

sustainability practices and the inclusion in the index in order to gain corporate legitimacy by being selected of the index.

“...the most important indicators of corporate sustainability in Brazil...” (Petrobras 2008 a)

Petrobras is also alluding to moral accounts, to maintain the index's legitimacy, by describing how the index has been revised by a number of stakeholders. The inclusion of stakeholders into the revision process can be understood as a response to the pressures from the increasingly globalised society, where more actors are involved in the evaluation of organisational behaviour.

“After undergoing a revision process which involved the participation of several stakeholders, the ISE is now in its third edition.” (Petrobras 2007 b)

Compared to 2006, Petrobras puts more efforts into protect accomplishments, that is maintaining the gained legitimacy. Several references are made to ensure predictable outcomes, in form of stressing the fact that the company was included in the index for the second time. In this way, stakeholder and shareholder of Petrobras can be assured that the company continues to sustain its level of sustainability practices, and that the inclusion was not just an episodic event, but a continual commitment to sustainability by the company.

"One of the major results obtained was renewed inclusion in the Bovespa Corporate Sustainability Index (ISE)" (Petrobras 2008)

Similarly, the company continues to focus on the cognitive aspect of maintaining legitimacy, which is based on the same concept of transforming the episodically events, to a more continuous form. Nearly the same phrasing as the previous year is used to enhance the comprehensibility of the inclusion in the index. In 2008, Petrobras was excluded from the ISE, according to sources due to a delay in the introduction of new cleaner diesel (Brazil Confidential 2011), which Petrobras indirectly confirms in a letter to Covalence, an ethical reputation tracking firm in Switzerland.

“Petrobras is facing mistaken criticism of its commitment to environmental regulation in Brazil. The company has been addressing mitigation in relation to air pollution for a long time, being part of the Program for Air Pollution Control of Automotive Vehicles (PROCONVE) from the National Environmental Council (CONAMA) related to Brazilian Environmental Ministry since 1986.” (Vianna Wolter 2009)

As seen in the quote above, Petrobras is in the letter to Covalence highlighting the company's efforts to mitigate air pollution, and draws on participation in official programs, linking its activities to authorities, in this case the government. In the explanatory letter, Petrobras continues to describe all actions taken by the company to enhance the quality of fuel from the 1980's and forward. Petrobras describes in detail, the decision process to change fuel in communal transport in the large cities of Brazil. Again, the company underlines the importance of a reached agreement with several public and private actors and that the agreement was reached through a dialogue. This tendency of deliberate democracy, as a way of creating moral legitimacy gets increased importance in a more globalised society.

“It is important to remark that Petrobras has been dialoguing with the public on the subject of vehicle emissions. These dialogues occurred in various forums and on various occasions. These dialogues gave birth to the legal agreement mentioned above.” (Vianna Wolter 2009)

The company also tries to normalise the event, through diminish the importance of the problem, through questioning the actual event, and its impacts. With several explanations and statements regarding the impossibility of establish the casual connection between the fuel provided by Petrobras and the respiratory conditions among Brazilian citizens, the company is questioning its moral responsibility.

“The statement that the current quantity of sulfur in diesel is responsible for serious respiratory diseases in the Brazilian population is questionable, even in the metropolitan environment.” (Vianna Wolter 2009)

Petrobras addresses the event of ISE exclusion through explaining the event. The event is stated as a fact, that the company has been excluded from the index, in an objective way.

“In 2008 Petrobras was no longer part of the corporate portfolio of the Sao Paulo stock exchange Sustainability index (ISE.Bovespa), where it has been listed since 2006.” (Petrobras 2009)

The event is justified by Petrobras by describing the index's practices as illegitimate. Firstly, the index could not give the company a plausible explanation to the exclusion.

“...Petrobras has officially requested from ISE Board the reasons for our exclusion from the index. The answer from ISE Board was evasive, and did not specify any technical reason for the exclusion.” (Vianna Wolter 2009)

Secondly, individuals within the deliberative council of the index have not acted accordingly with the organisational praxis, and are diminishing the perceived legitimacy of the index.

“The chairman of the deliberative council of the Ethos institute disclosed to the press the presumed reason for Petrobras being delisted, information which concerns only the members of the ISE deliberative council, since it is protected by a clause of confidentiality” (Petrobras 2009)

Petrobras has through this justification, questioned the legitimacy of the index and the company's moral responsibility in the case, as a way to normalise the event. This form of moral approach to repair legitimacy opens up for a negotiation of legitimacy between different stakeholders, and aims to put focus on other actors' wrongdoings instead of the focal organisation. After normalising the event, Petrobras takes a stand against Ethos Institute and disassociates from the organisation in an attempt of disconnecting from the malpractice, both as a moral stand but also to underline the questioning of moral responsibility in this case

“For this reason the company decide to disassociate from the Ethos Institute and the institute was suspended from the ISE council for one year.” (Petrobras 2009)

At last, Petrobras is stating its compliance with a bigger and more generally known sustainability index, the Dow Jones Sustainability Index, as a way of highlighting other accomplishments within the same area. This is both to delegitimise the ISE, but also to gain cognitive legitimacy for its own practices.

“It is important to note that Petrobras is part of DJSI index since 2006 and has renewed its participation for 2008/2009.” (Vianna Wolter 2009)

Petrobras perceived the index's certification of its sustainability practices as important. The company employed strategies for creating legitimacy for the index as well as using the index as a tool to legitimate its own sustainability practices. The company focused on cognitive legitimacy, embedding its own practices in a cultural understanding of sustainability, and made references to globally recognised practices and institutions. When the company was excluded from the index, a

lot of attention was paid to normalise the event and disassociate from the institution. The previous focus on legitimating ISE turned into a delegitimation process, where ISE's wrongdoings were highlighted and underlining of inappropriate organisational structures.

5.2.3. Natura

Natura Cosméticos (Natura) is a cosmetics and personal care company with a clearly expressed interest in sustainable practices. The company has a strong base in Latin America. Natura was included in the ISE from the start of the index in 2005 and has been included in the index every year up till today. The company is not reporting extensively on the inclusion in the index, but it is mentioned in the annual reports. In 2005, when Natura was included for the first time, it was stated by the company as being selected by the stock exchange, which could be understood as conforming to an established standard, so called mimetic isomorphism.

"Natura is also among the 28 companies that have their stocks chosen by the São Paulo Stock Exchange to compose the Corporate Sustainability Index." (Natura 2006)

In regards of the index, Natura does not put a lot of effort into promoting or enhancing its legitimacy. The mere thought behind the index is briefly described and associated with a research institute, as a way of professionalise practices of the index.

"The Index was created with methods developed by the Getúlio Vargas Business School in São Paulo (FGV-Eaesp) to identify the companies with the best performance in all facets of sustainability." (Natura 2006)

When the company was included in the index for the second time in 2006, same accounts for professionalization as in 2005 was presented, as well as a statement ensuring predictability in outcomes.

"In recognition of the company's commitment to sustainability, in 2006 Natura's shares continued to be listed on the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange (Bovespa)." (Natura 2007)

Natura continues to report on the index with a pragmatic approach to legitimacy. The company continues to use the same phrasings year after year and merely notes that the company is listed on the ISE index, without more explanations.

"For five consecutive years, we have been included in Bovespa's Corporate Sustainability Index (CSI)" (Natura 2011)

Natura does not seek to create moral accounts for the inclusion of the index. Except from the continuous pragmatic accounts, in 2008, the company attempts to explain the connection between the company's sustainability practices and the inclusion of the index.

"Due to our commitment to sustainability, in 2009 we appeared for the fourth consecutive year on the Corporate Sustainable Index (ISE) of Bovespa" (Natura 2009)

Overall, Natura is not putting much effort into communicating on the ISE. The index is mentioned together with other financial listings, but is not extensively. Based on existing data, the reason for this can only be a speculation. The company could perceive the index as non-important, or not helpful as a validation for the company's sustainability practices, why it is only used briefly by the company. It could also be, that Natura perceive the index as legitimate and that there is no need to be more elaborate in the communication. Though, it is of importance for the company, to communicate on the predictability. The focus lies on that the company continues to be included in the index, but it is more of an instrumental or pragmatic account, not as a moral commitment to get its sustainability practices certified by the index.

5.2.4. Copel

Copel provides electricity to close to 4 million units and is the biggest company in the Brazilian state of Paraná. The company is publicly traded with the state government of Paraná as one of the biggest shareholders. Copel was selected by the Sao Paulo stock exchange to be a part of the ISE in 2005. The company issued a press released, where the index was presented. Copel put an effort into describing and explaining the index, as the ISE was newly released. The index is described as a response to global drivers of responsible investments and is a likened to generally know sustainability indexes, as a way to embed the new practices in established institutions.

"Following the investors' global tendency to seek socially responsible and profitable companies to invest their assets, a Deliberative Council was established in order to create a stock index to be a reference for socially responsible investments, similar to "Dow Jones Sustainability Indexes" (DJSI)." (Copel 2005)

The company describes the process of the index and all involved parties, both NGOs and governmental organisations, as well as the research institute that is responsible for the methodology

of the index. Copel tries to create a both moral and cognitive ground for legitimacy for the index. Similarly, in the annual report for 2005, ISE is embedded in existing institutions as Dow Jones Sustainability Index, but also the ISE collaboration with the International Finance Corporation is highlighted. That the company is selected to for the index is seen as recognition of Copel's sustainability practices, which can be understood as a form of mimetic isomorphism.

“Such commitment has been also recognized by the São Paulo Stock Exchange - Bovespa, which has included COPEL in the portfolio which comprises 28 companies picked to make up the Corporate Sustainability Index – CSI.” (Copel 2006 a)

Copel continued to be included in the index in 2006. The inclusion was mentioned in the annual report under awards, but was more elaborately described in the press release issued by the company when the list of the new composition of the index was released by the stock exchange. Copel focused on the rationale behind and selection criteria of the index. When describing the process behind the index, the company is facilitating the comprehensibility for both the index and Copel's inclusion.

“The ISE is designed to measure the return on a portfolio composed of shares of companies that are highly committed to social responsibility and corporate sustainability, and also to promote good practices in the Brazilian corporate environment, considering such aspects as corporate governance, economic efficiency, environmental balance and social justice.” (Copel 2006 b)

The focus lies in boosting the legitimacy of the index and to make causal connections between the company's sustainability practices and the inclusion in the index. It is also of importance for Copel to show a predictable outcome, that the company continues to be listed at the index, in order to create a continuous form of legitimacy.

"Inclusion in Bovespa's Corporate Sustainability Index (CSI) for the second year in a row São Paulo Stock Exchange" (Copel 2007 a)

In 2007, Copel was included in the index for the third time. The previous focus on creating legitimacy for the index and for the corporate practices, shifted to be more concentrated on the company's actions and the maintenance of gained legitimacy. That the company is included in the index for the third year in a row was communicated in both annual report and in press release,

highlighting the predictability of the company's outputs. The company also stressed organisational success and improvements of the government system implying a higher score in the index's evaluation. To emphasize technical success can be understood as the company is showing lasting validation for its practices, as an attempt to manipulate its environment in order to create moral legitimacy. The index is used as a validation of the implemented processes in the company.

"Thanks to the environmental actions taken by the Company in sync with its strategic planning, it reached an environmental performance score of 60% in 2007, against 49% in 2006." (Copel 2008 a)

Copel was excluded from ISE in 2008. The company does not communicate on this matter at all. There is nothing to be found on the company's website or in corporate communications addressing this event. This could be seen as somewhat odd, as the company the previous year (2007) stressed more moral commitments towards the index. By not addressing the event, Copel can be seen to denying or ignoring the event, as a pragmatic way of normalising the problem. In the annual report from 2008, are several other listings and awards highlighted and many of them in regards of sustainability actions. In 2009, the company was re-included into the ISE, but the exclusion was still not mentioned explicitly. The re-inclusion was mentioned with allusions to previous year's inclusion, and not to 2008's exclusion, to refer to the previously predictable outcomes and ignoring the disruptive event.

"Copel's shares are integrating again portfolio of sustainable companies in Stock Exchange of São Paulo – BM&FBovespa." (Copel 2010)

Even though the inclusion is not explicitly mentioned by Copel, the legitimacy process is somewhat reverting to gaining legitimacy, as it is expected by the company that some of it was lost as a result of the exclusion. First, the moral commitment to sustainability is reaffirmed.

"The return to such group demonstrates Company's commitment with sustainability, in addition to a great strategic meaning." (Copel 2010)

Second, the moral commitments are coupled with an affirmation that the company has improved its internal practices and that the re-inclusion is a certification of the technical success of the company.

“...Corporate Sustainability Index – ISE of BM&FBovespa, certifying effectiveness of programs and projects of social, environmental and citizenship responsibility implemented by the Company.” (Copel 2010)

But there are not just moral accounts; the company wants to create causal connection between the re-inclusion and its corporate practices. Therefore, the cognitive connection between excellent sustainability practices and the inclusion in the index is highlighted, in order to create taken-for-grantedness and comprehensibility.

“Corporate Sustainability Index – ISE is composed by shares of companies committed to environment, corporate ethics and accounting transparency, among other dimensions.” (Copel 2010)

The company was included again in 2010, but the company merely acknowledged the inclusion in the annual report, only as an achieved goal. This is quite different from the other years when Copel was included, as it was mentioned quite extensively in the annual report and also in a separate press release.

Copel sees the index as a validation of its practices. The first two years of inclusion, there is a focus on gaining legitimacy for both the index and the corporate practices. The third year of inclusion, there is a shift toward moral commitments and maintenance of gained legitimacy, instead of boosting the legitimacy of the index. When the company is excluded in 2008, the event is ignored by the company, and when re-included, Copel has a double approach of both maintaining and gaining new legitimacy. Copel did not go through the restructuring face of repairing legitimacy, as the company did not acknowledge the exclusion as a problem, but when the company was re-included more effort was put into gaining legitimacy and highlight the moral commitments of the company.

5.2.5. Eletrobras

Eletrobras is a leading actor in the Brazilian electricity generation and transmission industry. The company holds six subsidiaries distributing electricity and a research centre (Eletrobras 2010). The company was selected to constitute the first edition of the ISE in 2005, which is communicated by the company as a statement. No descriptions or explanations of the index was offered by the company, nor was a connection made between the company's sustainability practices and the

inclusion. The statement can be seen as conforming to established standards, so called mimetic isomorphism.

“...Eletrobrás was chosen by Bovespa (the São Paulo Stock Exchange) to be listed in the Sustainable Corporate Index (ISE).” (Eletrobras 2006)

Eletrobras is not included in the index in 2006, but does still wish to obtain an inclusion in 2007 and does state that it was implementing several strategies in order to be included again. The company is not elaborately describing the exclusion, but affirms a moral commitment to be included again.

“With the purpose of being listed at ISE again, as in 2005, Eletrobrás took some important steps in 2006 towards it...” (Eletrobras 2007)

The company got re-included in the index in 2007, but the company only communicates briefly on the topic. The company focus on the cognitive aspect of legitimacy, where the company explains and make connections between the inclusion in the index and the quality of its sustainability practices, which is further underlined by a reference to a generally known concept, the triple bottom line. The embedding in a generally known institution is a sign of conforming to wider accepted norms, the triple bottom line.

"Eletrobrás had its shares listed in the said index in December 2007, being one of those companies that have the best corporate sustainability practices based on the concept Triple Bottom Line." (Eletrobras 2008)

In 2008, Eletrobras continued to be included in the sustainability index, and the reporting on the event was more elaborative. The company highlights corporate efforts and formalisation of internal practices that has led to the continuous inclusion in ISE. This shows that previously informal practices gained more momentum in the company and to ensure technical success. Further, the company explains the inclusion in the index not as a coincidence, but causal outcome of the company's commitment and efforts in regards of sustainability practices.

"The operations of the Eletrobrás System Sustainability Committee, with task forces focused on the three dimensions of Sustainability (triple bottom line: economic-financial, social and environmental), contributed heavily to Eletrobrás' inclusion in the 2008 Bovespa ISE..." (Eletrobras 2009)

Eletrobras highlights several times that the company is listed in the ISE for the second time, as to underline the predictability of its inclusion.

"Finally, it is important to point out that for the second consecutive year, Eletrobrás was listed on the Bovespa Index of Corporate Sustainability (ISE/Bovespa)" (Eletrobras 2009)

The company is also promoting comprehensibility, through making causal connections between the inclusion of the index and the sustainability practices of the company. Further, Eletrobras points out advantages for investors to easily recognise companies listed at the ISE as sustainable, creating a differential for the investors, and underpinning the business case for Eletrobras to be included in the index.

"Listing on this index signifies a commitment to corporate sustainability, which represents a differential for investors. It means, also, that the company has investments that are compatible with the requirements for sustainable development" (Eletrobras 2009)

With the inclusion in ISE 2009, the company continues to promote its predictability, by stating that it is the third consecutive year in the index. Eletrobras continues to draw legitimacy from moral and cognitive sources, where the company highlights technical success and formalisation of internal practices as contributing to a successful score in the index.

"With the PAE (the Strategic Action Program, authors note), an increase in adherence to the Corporate Sustainability Index criteria from the Bolsa de Valores de São Paulo (ISE Bovespa)" (Eletrobras 2010)

When included in 2010, Eletrobras does not communicate much about it, but underlining the predictable outputs.

"For the fourth year in a row (2007, 2008, 2009, 2010), Eletrobras was included on the BM&FBOVESPA's ISE." (Eletrobras 2011)

Eletrobras has a clear cognitive approach when using the index for creating legitimacy for its sustainability practice. In the first year, mimetic isomorphism is used to show that the company complies with the index. The company gets excluded from the index in the second year. This is not explicitly mentioned by the company, but I expressed by a statement that the company will improve its sustainability practices in order to be included for 2007. This is a way for the company to deny

that it is a problem in order to neutralise potential problems with questionable legitimacy. In the following years, the company stresses the consecutive inclusions in the index, and emphasis the index's role as a validation of the company's sustainability work, by simple and banal accounts. The company also highlights technical success and formalisation in practices, and once again draws on the index's validation of these improvements.

5.3. Rio Madeira Dam Project and the Equator Principles

5.3.1. The Equator Principles and Financial Institutions in Brazil

Banks financing environmentally questionable projects has been a problematic issue. The problems associated with managing the environmental and social risks of project finance led nine international banks to meet and discuss how these risks could be handled in an appropriate manner. The banks concluded that the most useful principles in the industry were the ones used by the International Finance Corporation, IFC, in emerging markets. In July 2003, the Equator Principles (EP) were launched and signed by ten international financial actors. After the launch several financial organisations have signed the principles, and currently are 71 financial institutions are signatories to the initiative. In 2006, the EP was revised for the first time to include a consultation component with key stakeholders, including clients and industry associations, export credit agencies and interested non-governmental organisations. The principles also gained a greater focus on social issues, with enhances disclosure, consultation and a grievance mechanism. Also the economical scope of the projected for the EP was changed from \$50 million to \$10 million. In 2010 the principles were revised again. The revision was executed through a stakeholder dialogue, including signatories, researchers and civil society, in order to make the EP a golden standard (Equator Principles 2011).

The Equator principles are a voluntary credit risk management framework for financial institutions to use in project financing. The area of project finance is a critical area of development, as it often includes major infrastructural and industrial projects. The EP are set to provide a minimum standard for due diligence in order to support financial institutions to make responsible risk-decisions. Financial institutions that have signed up for the principles commit to not provide loans to projects where the borrower cannot comply with the environmental and social policies set up by the EP. The principles should be applied to all projects with a financial scope over \$10 million, but also in expansions and upgrading of loans (Equator Principles 2011).

In 2006 all Brazilian governmental banks were required to veto projects that have not been granted a licence from the government. The environmental minister of the time, Marina Silva, said in a

meeting with the Ethos institute that the government considered the requirement to be extended to cover all banks, private banks also included. The Minister said that this would be a way of linking finance with legal compliance, which would guarantee environmental sustainability. The issue was brought up on the background of major problems with deforestation in the Amazon (Associated Press Newswire 2006).

5.3.2. The San Antonio and Jirau dam projects

Madeira River is the principal tributary of the Amazon River, with its basin covering about a quarter of the Amazon. In July 2007 a preliminary licence for building two hydroelectric dams, the San Antonio dam and the Jirau dam, was issued by the environmental agency, IBAMA. The dam projects are a cornerstone of the Brazil-Bolivia-Peru hub of the Initiative for the Integration of South American Infrastructure, IIRSA, which is supported by the Inter-American Development Bank, the Andean Development Corporation and Brazil's National Development Bank, BNDES. The projects would open up a 4,200 km industrial water way facilitating transport of soybeans, timber, and minerals to Atlantic and Pacific ports. The preliminary licence to the projects came with 33 conditions to which the dam builders must comply, in order to get the licence granted. The licence was subjected to litigation as it failed to adhere to federal laws as well as the Equator principles. All though questionable compliance with the legal requirements, the licence was granted over the objections of IBAMA's staff in August 2008. Moreover, an additional licence was granted to installations of cofferdams to the Jirau project, even though the mitigation measurements were not in place. A final installation licence for the projects were granted by IBAMA in, with a number of conditions for the applicants to comply to, but there were still no mitigation measurement in place. There are eight civil law suits filed against the both projects, which all have the potential to halt the projects (BankTrack 2010)

All Brazilian banks that have signed up for the Equator Principles are partaking in the financing of the San Antonio and Jirau dams. There is a deep disagreement of the implication of signing up to the principles. The non-governmental organisations argue that signing up to the principles implies that banks should support environmentally sound projects, such as renewable energy, and reject environmentally unsound projects, like fossil fuel. The banks, on the other hand, mean that the principles are a tool for risk assessment and management of environmental and social risks that could arise in controversial projects.

The financing banks and the Brazilian government assess the dams to produce major benefits for the Brazilian society supplying eight per cent of the country's energy needs. The energy

produces in the Madeira dams are promised to go directly to consumers in the state to a cheap price. One of the main arguments for building the dams are economic development and that is also why the projects have gained massive support. It is also argued that hydroelectrically dams produce cleaner energy, as it is not energy from fossil fuel. Though, the non-governmental organisation Friends of the Earth means the organic matters in rivers like the Madeira River is very sensitive, and that a dam project like this would cause stopped flows and create more greenhouse gasses than many other forms of energy. The project sponsors argue that the use of run-of-river technology will minimize flooding and it will be limited to a minor area. Environmentalists argue that the dams would lead to accumulation of sediments which would imply over one million square kilometres in Bolivia, which led to the formal protest from the Bolivian government (Monahan, 2009). COIAB, an association of indigenous people in the Amazon mean that the Equator Principles have not been followed as they have not been consulted or granted their free, prior and informed consent to the project. Itau Unibanco BBA argues that the project has followed the guidelines and have the state government and the local populations support. This is questioned by several non-governmental organisations that mean that there are no published reports that show the local populations' support (Monahan 2009). The controversies are not only considering the private. BNDES, the Brazilian National Development Bank is accused of using public money to this project leading to environmental problems in both Brazil and in Bolivia. Brazil is accused by both neighbouring countries and non-governmental organisations to finance environmentally unsound projects, and to have an imperialistic agenda in South America (Osava 2009).

The consortiums responsible for the dam projects have been fined three times for environmental damage, with a volume of fines of totally 9 million real. The damage was among other things an 11-ton fish kill, illegal deforestation at the worksite and violations of indigenous' rights. A non-governmental organisation, Kanindé Ethno-environmental Defence Association, has accused the hydroelectric dam projects to violate the indigenous communities' rights at the Latin American Water Tribunal, an independent international court created in 1988 in order to assure indigenous communities voices to be heard in conflicts involving water. The tribunal concluded to censor the Brazilian government on three accounts. First, Brazil was censored for the intention to build high impact projects in environmentally and socially sensitive areas. Secondly, for not observing indigenous peoples' right by enforcing the ILO principles, and lastly, for not considering the environmental and social impacts of the projects beyond the Brazilian border. The dam projects have also been subject of an official complaint by the Bolivian government. According to the

Environmental Impact Assessment, around 3000 people will be forced to move in order to clear for the worksite. With the experience from previously projects, this number is underestimated. Other effects of the dams will be declining in fishery, threatening both professional fishers and subsistence fishers, as well as declining crop, due to loss of annual deposition of fertile silt. The indigenous societies will be threatened by the thousands of workers arriving to the worksite looking for jobs, worsening the public health in the region, which is already troubled by malaria, other tropical diseases and epidemics through water. The dam projects will also impact the environment in the area. The Madeira River area support around 750 fish species, 800 birds' species and 33 endangered mammals are found in the areas where the projects will be installed. The dams will, for example, block several of the migration routes for several species of fish and cause big amounts of flooding. It is also expected that the facilitated transportation of for example timber and soybeans will increase deforestation in order to make way for new plantations (BankTrack 2010).

5.3.3. Itau Unibanco

Itau Unibanco is the largest bank in Brazil based on stockholder value. Itau Unibanco Unibanco is also recognised for its sustainability practices, highlighted by the inclusion in Dow Jones Sustainability Index for eleven consecutive years (ItauUnibanco 2011). In 2004, Unibanco was the first South American Financial Institution to sign up for the principles (Equator Principles, 2011) followed by Banco Itau and Banco Itau BBA that signed the Equator Principles in August 2004, underlining their commitment to social responsibility and corporate governance (PR Newswire, 2004). When reporting on the company's commitment to the Equator principles, Itau Unibanco focuses on making the initiative comprehensible, though explaining the aim of the initiative and how the company implement the practices within the company. To further gain cognitive legitimacy for the principles and the company's commitment to the principles, the company highlights the link between the Equator Principles and the IFC. This way of reporting is persistent through the years of reporting on the initiative.

“Participating institutions commit to finance projects which are developed in a socioenvironmentally responsible manner, based on the internationally recognized criteria of the International Finance Corporation's (IFC) Performance Standards.” (Itau Unibanco 2009)

The company also highlights its participation in the steering committee of the Equator Principles. This partaking of the normative discussion, helps the company to perceive change and does also

exemplify the responsibility in regards of developing sustainable banking practices. This helps the company to maintained gained legitimacy through underlining a continuous commitment to the Equator Principles.

“Between September 2008 and March 2010, Itaú Unibanco chaired the Equator Principles Steering Committee, a landmark for the dissemination of good practices in emerging countries, particularly in Latin America.” (Itau Unibanco 2010)

When the controversies around the Madeira River dam project was highlighted in 2009 the social and environmental risk manager at Itau Unibanco BBA, Marcelo Battisti, who was also chairman of the Equator Principles steering committee, were interviewed in an article on the issue of the dams. Battisti argue that the principles are a useful tool for the banks, but it is not a hinder for the banks to finance, for example, dam projects. By explaining the banks point of view, the company is questioning the moral responsibility that the company is accused to have in the dam projects, as a way to normalise the problem. Simultaneously, the company stresses the importance of making a thorough assessment, as a way to gain legitimacy for the banks way of handling legitimacy, by underlining technical success.

"There is no policy within Itau Unibanco or in the Equator Principles (at present) which claims you cannot have dams in the Amazon. But it's necessary to assess the impact and ensure that if there are some impacts they are limited and the overall contribution of the project is positive." (Monahan, 2009)

The dam projects are endorsed by the Brazilian government, based on the argument that the dams will provide cheap power and prevent future electricity shortage. The dams are an important part of Brazil's development plan. This governmental approval for the projects is used by Itau Unibanco for legitimating their participation in the financing of the dams. The company uses the same arguments as the government to link its practices to external definitions of the common good, in this case cheap and predictable power and possibilities for the enhanced standard for the Brazilian population. This form of professionalization helps the company to gain cognitive legitimacy.

“...the bulk of the energy produced from the Madeira River dams "will go directly" to consumers in Rondonia...” (Monahan 2009)

The civil society group, International River Network (IRN), argued that the anticipated positive outcomes in form of an agricultural boom as a result of the enhanced transport possibilities of the dams would probably be economically unviable, due to accelerated global warming. According to the organisation, climate change was not considered in the environmental risk assessments of the dams. Itau Unibanco agrees with IRN on the potential problems of climate change and the future outcomes of the dams, but explains it to be a problem where the project is the victim, not as IRN means the environment. The company listens to the argument of the environmental organisation, and agrees on the identified problem, but justifies the company's point of view based in a different order of worth. IRN argues from an environmentalist point of view, where a healthy environment is the common good, and Itau Unibanco on the other hand has a market perspective on common good, why the company sees the project being a victim for climate change and not the other way around.

"If the flow of the rivers or the amount of rainfall changes anywhere, all the economics associated with the project will change. It's a long-term effect, where the project is in effect the victim of climate change. It's one of the issues to be addressed." (Monahan 2009)

The experience from previous dam projects in the Amazon areas has showed that even though hydropower is seen to be an environmentally friendly alternative to fossil fuel, there is still greenhouse gas emissions connected to such projects. The environmental organisation, Friends of the Earth, means that the said positive features with hydropower are close to zero in the sensitive Amazon biome. Itau Unibanco argues that the hydropower industry has learnt a lot from previous projects and that greenhouse gases of course is problem to be considered by the project financers. The company tries to normalise the problem by describing greenhouse gas emissions as a global problem that the company is not alone in tackling. The company also highlights its commitment to evaluate the possible outcomes of the project and ensures that the practices will be validated as planned. In this way the company stresses the technical success of the applied Equator principles to create moral legitimacy.

"Does this mean that the issue of GHG emissions is solved? No. We have to continue to do assessments of impacts and make sure that we control the long-term effects of the flow of sediments and so on, so that in the long-run the area inundated will be controlled according to what was planned." (Monahan 2009)

The financing banks were accused by the civil society of not following the Equator Principles in regards of affected indigenous communities' right to be consulted in regards of the projects. According to the principles, indigenous communities shall have the right of free, prior and informed consultation, which according to IRN has not been found in the case of the Madeira River dam projects. Itau Unibanco justifies its practices with that the project has gone through the appropriate consultation phase, and that the projects have both local society and governmental support. Moreover, the company highlights the importance of its own influence in the process, as a having the powers to set standards and ensure the environmental and social soundness of the projects. By this, the company pragmatically denies the problem of lack of support by claiming that the company do have support, as a way to normalise the issue. At the same time, the company highlights its own part in the process, advertising an image of the company as responsible and influential in order to enhance the pragmatic legitimacy.

"...the "project has gone through a consultation phase. It has the full support of a democratically-elected government. It has significant support from the local population. And it is made better by having financial institutions which have leverage in setting standards." (Monahan, 2009)

The company continues to justify its actions through pointing out the success of large financial institutions impact on high risk projects, as they have the influence to ensure compliance with set standards. The company underlines that the standards were developed by internationally legitimate organisations, the IFC and the World Bank, as a way to create cognitive legitimacy for the principles as well as for the company's actions.

"A lot of times the most important contribution of [the] Equator [Principles] is when EP banks finance projects with large impacts and standards are followed. These are standards developed by the IFC and the World Bank and applied all over the world." (Monahan 2009)

Itau Unibanco reports on its commitment to the Equator Principles in a way to create cognitive legitimacy. The principles are described by simple accounts and the company's participation is described to be perceived as a natural action. The company aligns its sustainability practices within the generally accepted cultural realm to be perceived as legitimate. When the company is faced with criticism in regards of the Madeira River dams, the company persists with its way of acting in regards of the Equator Principles, to foster comprehensibility for the company's practices. Itau

Unibanco acknowledges the problems brought up by the civil society, and admits that it could be potentially troublesome for the company and the project if they are not handled in a right way. Though, the company still persists and argues that the risks are handled in an appropriate way. The company also has a tendency to turn the problems and argue from another order of worth than its opponents, making the company's actions seem comprehensible, and again draw on cognitive legitimacy. By situating the issue in another cultural realm where the company's actions are perceived inevitable, the company chooses which moral criteria to adhere to, the company will be perceived as morally responsible in the chosen cultural realm.

5.3.4. Banco Bradesco

Banco Bradesco (Bradesco) is one of the largest, non-governmental owned banks in Brazil. The bank has the most extensive private-sector branch and service network in Brazil. Bradesco is acknowledged for its sustainability practices by several national and international actors, such as a inclusion in the Dow Jones Sustainability Index for five consecutive years and a 4th place in Newsweek's ranking of the 'Worlds greenest companies' list. Bradesco signed the Equator Principles in 2004 (Bradesco, 2011). Since the adaptation of the principles into the company's management system, Bradesco has been reporting on the commitment to the principles and the outcomes. The company communicates similarly year after year. Firstly, the company states its commitment to the principles, and makes a simple account for the implications of the commitment, as a way to create a cognitive understanding that the company is responsible and follows internationally known policies.

“As a signatory to the Equator Principles, Bradesco evaluates the capacity of the developer to include and demonstrate social-environmental management in the project.” (Bradesco 2010)

The company also present the outcome of the applied principles, to show that the company have a moral commitment and not just an instrumental approach to the initiative. This both shows of technical success of the implementation, but it also exemplify responsibility, downplaying the instrumental concerns.

“Since 2005 the Organization has contracted 39 operations following the commitment's criteria, 34 of which are monitored and five of which have been wound up or renegotiated.” (Bradesco 2011 b)

When the controversies in regards of the San Antonio and Jirau dam projects arose, Bradesco chose to address the problem in their sustainability report from 2008. In addition to state their commitment to the Equator Principles, they stated their commitment and attention to the possible issues in regards of the projects. The company also highlights the importance of internationally known standards and norms as a tool in the process. Bradesco builds on moral legitimacy by ensuring that there is a lasting validation of the practices in place to safeguard a proper outcome of the projects. All though the company addresses the issue, it is not by any means admitting to the wrongdoings that it is accused for.

“Bradesco, attentive to the implications that projects of such magnitude may cause, in line with its social-environmental responsibility and as a signatory of the Equator Principles, requires that financed projects observe the best international practices and standards.” (Banco Bradesco 2009)

Moreover, Bradesco attempts to normalise the problem, by explaining that the company has acted in accordance with the principles. The company states that the projects been assessed by independent consulting firms. Here, Bradesco draws on professionalization by linking its practices to external competence, creating cognitive legitimacy for the company’s participating in financing the dam projects. This is a way to seek legitimacy for the way that the company handles the issue, through endorsement from internationally known and legitimate organisations.

“Independent social-environmental consulting firms that are internationally recognized and have already worked in the assessment and adequacy of projects with the same requirements were also contracted.” (Banco Bradesco 2009)

The company underlines the moral commitment to the principles and exemplifies responsibility by ensuring a continuous monitoring of the development of the project. Bradesco tries to transform episodic legitimacy to a more continuous form. This is done in a pragmatic way by ensuring consistent outcomes.

“We continuously monitor the social-environmental aspects of the area affected by the projects in compliance with applicable social-environmental laws, as well as criteria set forth by the Equator Principles.” (Banco Bradesco 2009)

When communicating on the Equator Principles, Bradesco focuses on creating a cognitive legitimacy by explaining and creating comprehensibility for the company's commitment to the initiative. The company is clearly stating that the organisation is morally committed to the principles, dismissing the mere instrumental approach towards standards. By presenting the outcomes of the application of the principles, the company shows the technical success of the processes implemented in order to comply with the initiative. When the controversies around the Madeira River dam projects arose, the company addresses the problems by justifying its own practices. Bradesco draws on moral commitment, lasting validation of the practices and external assessments to legitimate the projects. Though the company is acknowledging the posed problems with the dams, the company still persists that it is handling the risk in an appropriate way. By this, the company is fostering comprehensibility for its practices and draws on cognitive legitimacy. The company relies on its good reputation in regards of sustainability practices, which should have rendered the company some degree of taken-for-grantedness.

6. Discussion

In this section the results from the empirical framework will be discussed based on the theoretical framework.

6.1. The Soy Moratorium

The soy moratorium was created as a corporate response to external critique in regards of the companies malpractices in the Amazon. Corporate practices that had previously been regarded as legitimate in the society, was here challenged by Greenpeace, the non-governmental organisation that invoked the claim of malpractice. Corporate legitimacy is socially constructed in a dynamic process where the corporate actions are assessed and evaluated against the institutional backdrop. In order to be perceived legitimate, the corporate actions have to be assumed desirable in the certain socially constructed context (Suchman, 1995). The soy moratorium can be seen as form of self-regulation, where the accused companies join together with a number of stakeholders to find a solution to the posed problem, a so called multi-stakeholder initiative (Hemmati 2002).

Throughout the studied time, the two soybean companies, Amaggi and Bunge, emphasise the importance of the democratic dialogue for the success of the initiative. The democratic processes are highlighted by both companies during the whole period of time of the study. This can be understood in two ways. Firstly, in this globalising society, culture and norms are increasingly pluralised, and it is complicated to embed corporate practices in on homogeneous cultural realm of norms and moral. Organisations need to open up for a democratic dialogue and incorporate several stakeholders to get a more balanced picture of what would be good corporate practice. Democratic dialogue is according to Palazzo & Scherer (2006) the most effective way to create legitimacy in the globalised society. One obvious feature distinguish democratic dialogue from cognitive legitimacy is the relation to generally accepted norms. The aim of cognitive legitimacy is for a company to converge its actions to a bigger belief system to make them seem natural and comprehensibility (Suchman, 1995). Opposed, democratic dialogues acknowledge the heterogeneous perceptions of society and take an active role through stakeholder dialogue.

The aim for the soy moratorium is zero deforestation, and the processes to reach the aim are progressive, as a continuous dialogue between the stakeholders pushes the development of the standard. All involved stakeholders are committed to find the most appropriate and effective practices to reach the goal of zero deforestation. This moral approach to legitimacy can also explain why Amaggi and Bunge has a strong focus on highlighting actions, such as technical success and proper outcomes, when communicating on the soy moratorium. Secondly, to underline the multi-

stakeholder set up, can be seen as a way for the companies to create procedural legitimacy, which refers to a company's ability to implement socially accepted techniques and procedures (Suchman, 1995). The companies will be perceived as morally legitimate if the structure and set up of the initiative is seen as legitimate. The emphasis on technical success contributes to the validation of the initiatives practices, and also helps creating procedural legitimacy, as the companies can show causality from the moral commitment, through technical success leading to proper outcomes. These webs of causality are highlighted by both Amaggi and Bunge. All though a commitment to democratic dialogue, there are accounts of cognitive legitimacy, especially in the start-up process, as to explain why the moratorium was created. Here, the companies draw on comprehensibility, as a way to embed the initiative and the corporate practices within socially accepted norms (Suchman, 1995). A majority of the accounts are of general kind, for example, the aim of the moratorium (zero deforestation) is put in a bigger context as to explain why deforestation is a damaging process and why the companies take action against it. All three companies underline the formalisation of the practices and how they are implemented into the companies' strategies and processes. There are also several professional accounts, where the companies draw on authority and competence from governmental or internationally acknowledged institutions. These measurements are taken in order to increase the comprehensibility of the initiative, so that the corporate actions will seem natural and inevitable (Suchman, 1995). Hence, a distinction between the aim and the structure of the initiative can be distinguished. The companies seek cognitive legitimacy for the aim of the initiative while the structure and processes of the index draw on moral legitimacy.

When JBS-Friboi agrees with Greenpeace (after the organisations claim of unsound environmental practices) to avoid cattle from deforested areas, the soy moratorium has already been running for several years. This makes JBS-Friboi approach to the cattle initiative somewhat different. When the soybean moratorium was created, it was a pioneering initiative and it got a lot of attention from both civil society and the government. The extension to the cattle industry was a prolonging of the soy moratorium, why JBS-Friboi did not have as active role in the process, as did the soybean companies. The successful practices of the soybean moratorium were adopted into the cattle industry. This is reflected in the way JBS-Friboi reports on the issue. The practices and process of the soy moratorium can be seen as generally accepted norms for good governance in regards to deforestation in the Amazon. The company therefore focuses on cognitive legitimacy, through emphasising how the company formalise and implement the practices, and there are no

accounts on democratic dialogue. The company embeds its practices in a bigger belief system to make its action comprehensible.

For Amaggi there is a shift in the later years from strategies that gain legitimacy to strategies to maintain legitimacy. There is of course the element of democratic dialogue that runs through the whole period, but the company focuses more on participating in the normative discussion. For example, the company highlights the moratoriums participation in COP 15 and expresses a wish to share its experiences with other actors in order to enhance the sustainability practices in Brazil. Here again, the company focusses on the moral legitimacy for the company's practices, as participating in the normative discussion is a way to perceive change through incorporating multiple ethics (Suchman, 1995). For Bunge, this shift is not clear, as the strategies for gaining and maintaining legitimacy are mixed throughout the time period. Though, the company has a greater focus on gaining legitimacy than maintaining legitimacy. In comparison to Amaggi, Bunge is more uncluttered in its reporting on the initiative. Bunge Brazil is a subsidiary to Bunge International, an American company, with operations all over the globe, why this initiative might not render as much corporate attention as it does for Amaggi. Amaggi is the leading Brazilian company in the industry, why it is eager to be a national leader within sustainability practice, and therefore engages more in the issue. JBS-Friboi focuses on gaining legitimacy, and there are no strategies for maintaining legitimacy identified in the corporate communication. This could be because there is only two years of communication of the issue available.

6.2. The Sustainability Index

Bovespa's sustainability index was created by the Brazilian stock exchange to promote sustainability among Brazilian companies and facilitate for responsible investors, nationally and internationally. The creation of the index can be understood as the stock exchange's attempts to align its practices in general trends of sustainable investments, as a way to create cognitive legitimacy for the stock exchange. The index's criteria are aligned with what is perceived as socially accepted norms for good sustainability practices. The companies selected for the index will get a confirmation that their sustainability standards converge with the greater societal norms and values. This convergence to a homogeneous norm or culture, is the cornerstone in cognitive legitimacy (Suchman, 1995)

The four researched companies, Copel, Eletrobras, Natura and Petrobras, were chosen based on their different process in regards to the index. Natura has been included from the start and never excluded. The other three have been excluded; Copel and Eletrobras have been re-included,

while Petrobras has not been re-included. The companies do, based on these processes, communicate differently on the index.

Natura has been consecutively included in the sustainability index. The function of the initiative can be understood as a certification of a company's sustainability practices, i.e. an evidence of the company's convergence with societal norms (Suchman, 1995). Natura is a clear example how a company can use the index as a recognition of its sustainability practices. The company is consistent in its communication through co-occurring accounts of inclusion, described as a recognition or award. Copel, Eletrobras and Petrobras were all excluded at a point, and until the exclusion the companies have a similar approach to the index. In the initial processes, the companies focus on cognitive legitimacy to create comprehensibility and for the companies to be perceived as sustainable because of the inclusion in the index. This is in line with what is explained for Natura. The index is used as a validation of good sustainable practices. All three companies use mimetic isomorphism, popularisation of the index, and simple accounts to explain the link between the company's practices and the index. Though, there is a difference in how the companies are handling the exclusion from the index. Copel and Eletrobras have somewhat the same approach to dealing with the exclusion. Here, the companies ignore the exclusion. Copel by not mentioning it at all, and when the company is re-included, the company links the re-inclusion with previous inclusions before the exclusion, as for sustain the perception of cognitive legitimacy. Neither does Eletrobras report on the exclusion, but states that the company aims to be included in the index again. Both companies express vague accounts, making the exclusion hard to identify, and the companies can when re-included, build cognitive legitimacy on previous inclusions. The ignoring of the exclusion can be seen as a way for the companies to persist with the previous practices. Few or none accounts are made to highlight improvements of practices in order to be re-included, but continuous accounts of cognitive kind is presented by the companies. Petrobras, on the other hand, acknowledge the exclusion and puts a lot of effort in to repairing its legitimacy. The company is elaborately describing the process of exclusion and the, according to the company, incorrect reasons behind it. The company justifies its own actions as a way to morally normalise the problem and the company's moral responsibility in the issue is questioned. Further, the company explains the perceived wrongdoing by the deliberate council of the sustainability index, as a way to delegitimize the index. Finally the company disassociate from the index. All the above actions are moral strategies for repairing legitimacy for the company. Petrobras is taking great pride in its sustainability practices and the exclusion from the index was probably perceived as a threat to

delegitimize the company's reputation as a sustainable company. As the index can be seen as a verification of the company's convergence with the societal norms and cultures, and exclusion can seriously threaten the legitimacy of the company, why a moral approach to repairing the company's legitimacy could be an appropriate tool.

The companies' general focus on perceiving the index as a means for creating cognitive legitimacy converges with the cognitive aim of the index. The index's static criteria are perceived as the measure of good sustainable practices, nationally and internationally. In contrast to the soy moratorium where the aim is cognitive, but the structure and process moral and progressive, the companies included in the index do not have any possibility to affect the index's criteria. This compliance with external criteria provides opportunities for cognitive legitimacy.

6.3. The Equator Principles

The Equator Principles was created by international banks, based on the IFC guidelines for emerging markets, as a tool for financial institutions to handle environmental and social risks in project finance. A goal of the EP is to create an internationally known and used standard for sustainable finance. The initiative has been present for nearly ten years and can be regarded as international norms in regards of the appropriate banking practices. Companies that subscribe and commit to the principles can be seen to follow societal norms and good practice, why the EP can be seen to a verification of sustainable banking. As a result, companies can enhance their cognitive legitimacy through subscribing to the principles, as the company's practice will be perceived as comprehensible.

Bradesco and Itau Unibanco were early signers of the principles and have reported on the application over the years. Both banks express their commitment to the principles and highlight the usefulness of the management tool. In all available publications where the principles are mentioned, the both banks explain their commitment to the principles in a simple and banal manner to create comprehensibility for the companies' behaviour. Itau Unibanco adds the professionalization strategy, linking the principles to its foundation in the World Bank and IFC. This display of convergence with the standard shows the companies' strategies to create cognitive legitimacy through aligning company standards with norms that are generally perceived as good practice (Suchman, 1995), which is in line with the aim of the principles. Both companies present overview on how many cases the principles have been applied to and how big part of those cases where the application of the principles have been questioned and revised. This is a way for the companies to show compliance and technical success, that the companies do have practices in place to comply

with the minimum standard set by the principles. The companies display procedural legitimacy, a form of moral legitimacy that refers to showing the accuracy of the methodology and processes (Suchman, 1995).

As a result of the controversies with the San Antonio and Jirau dam projects the companies' legitimacy is challenged by the civil society. The companies and the non-governmental organisations have different views of the implementation of the Equator Principles. The banks argue that they follow the guidelines set out by the principles, and that the principles as such, is not a hinder to finance the Amazon dam projects, that is, as long as the proper procedures are followed. The civil society has ascribed the principles a more morally laden feature, that banks should not finance projects that negatively affects the environment or society. Further, the civil society argues that the banks have not followed the appropriate procedures in the case of the Madeira River dams, which is claimed by the banks. When confronted with these claims, Itau Unibanco acknowledges the problem but argues from another order of worth (Patriotta et al, 2011), in a realm where the corporate actions are perceived as natural. Patriotta et al (2011) describes legitimacy as a dynamic process in form of a social debate. As the globalising society does not have one single assumption of what is appropriate or not, social actors must justify their actions towards claims of malpractice. In line with Patriotta et al (2011), Palazzo & Scherer (2006) argue that legitimacy is created through deliberative democracy; the civil society becomes a mediator between corporate practices and morality. Itau Unibanco argues from a business perspective and continues to assure proper implementation of the principles, as a way for the company to justify its actions and maintain its legitimacy in regards of the commitment to the Equator Principles. The controversies in regards of the dams are not settled, why the company is still negotiating for legitimacy with its stakeholders.

Itau Unibanco and Bradesco employ persisting with implemented practices as a strategy to handle the controversies, as a way to enhance the comprehensibility of the corporate actions. The companies are not admitting wrongdoings in the case, but ensure that the appropriate procedures have been followed and that all practices are in place. Bradesco, for example, uses the endorsement of international actors and external consulting firms, to gain cognitive legitimacy for the way company carries out with the financing of the dams. The companies do not give into the claims by the civil society, but persist with their way of adapting the principles, and simultaneously attempt to created cognitive legitimacy so the corporate action will seem comprehensible. When challenged, the companies revert back to cognitive legitimacy as a defence mechanism. By persisting with their old practices, which are legitimated through links to general societal norms, the companies attempt

to sustain its cognitive legitimacy. The companies also refer to the proper applications of the principles and refer to appropriate procedures. While persisting, the companies refer to its procedural legitimacy, which they have built up through the years by, for example showing appliance statistics and participate in the directive council of the principles. The companies perceive their procedural legitimacy as strong. The legitimacy could be assumed to be stockpiled, that is, the companies have built up a “stock” of procedural legitimacy, so when the legitimacy is challenged and to some extent lost, the company can use the “stock” (Suchman, 1995).

The Equator Principles and the Sustainability index have several common features. First and foremost, both can be seen as a verification of the companies’ practices. Both initiatives aim to provide a tool for measurements of companies’ convergence with international norms. The big difference is the practical features of the initiatives. The index has set criteria to evaluate the companies, while the Equator Principles provide guidelines for the companies to incorporate in their own practices. This difference has particular implications when the companies’ legitimacy is challenged. The guidelines are not static criteria and the companies use that as to argue that they have implemented the practices. The index’s set criteria and external body that evaluates the companies, implies no space for the companies to negotiate the evaluation. As shown by Petrobras actions in regards of the exclusion, the event can be questioned and justified, but not change. In comparison to the banks persisting and argumentation in the case of the Medeira dam projects, they have space for negotiation of the principles.

7. Closing Discussion

The three cases in this study have all different features which are mirrored in the way the companies use them in their legitimacy creating processes. First and foremost, there are three different types of standards. Below a table is presented with the most distinguishing features of the initiatives presented in the discussion of the previous sections.

	Amazon Moratorium	Sustainability Index	Equator Principles
Type of Standard	Multi-stakeholder Initiative	National General Standard	International Industry Standard
Standard Attribute	Responsibility	Criteria	Guidelines
Corporate aim with Standard	Progressive Development	Static Compliance	Accurate Implementation
Driver for Company Participation	Questioned Legitimacy	Verification of appropriate sustainability practices	Provides Risk Management Tool
Corporate Actions	Democratic Dialogue	Compliance with Standard	Negotiation of Application
Cause of participation	Moral commitment to a self-created standard	External Selection	Commitment to externally created standard
Legitimacy Claim of the Initiative	Cognitive	Cognitive	Cognitive
Legitimacy	Moral	Cognitive	Moral/Cognitive

The soy moratorium is multi-stakeholder initiative, created by the soybean companies in collaboration with business associations and civil society. The companies have a more active political role, and it is more in line with Palazzo & Scherer (2006) conceptualisation of CSR in a globalised society, where moral legitimacy is the most important form of legitimacy. The soy moratorium is grounded in a democratic dialogue between stakeholders, in order to find the most appropriate way of solving the problem of deforestation. The Sustainability Index has several features of cognitive legitimacy, where it is used by the companies as a verification of their sustainability practices, as a way to show convergence with wider accepted cultures and norms. The Equator Principles encourage best practices and the companies adopting the principles promote cognitive legitimacy for their practices, through complying with generally recognised norms. The difference between the sustainability index and the Equator Principles are the setup of the initiatives. The index selects companies based on static criteria, eliminating the companies'

possibilities to negotiate inclusion or exclusion. The Equator Principles are guidelines that the companies implement, why the application of the principles can be negotiated. As there is no external authority to decide whether the principles are properly applied or not, it opens up possibilities for critique from other societal actors. Civil society can be seen as a moderator between companies and morality, where legitimacy has to be negotiated through a deliberate dialogue. This differs from the Soy Moratorium, where the democratic dialogue is the foundation for the initiative. Hence, the Soy Moratorium and the Equator Principles implies some form of societal dialogue, while the Sustainability Index is a more traditional form of standard.

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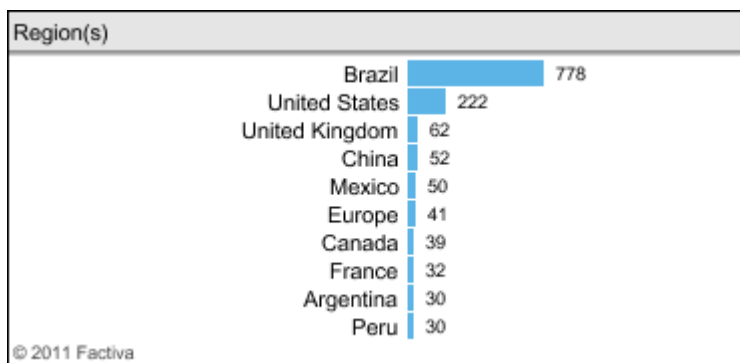
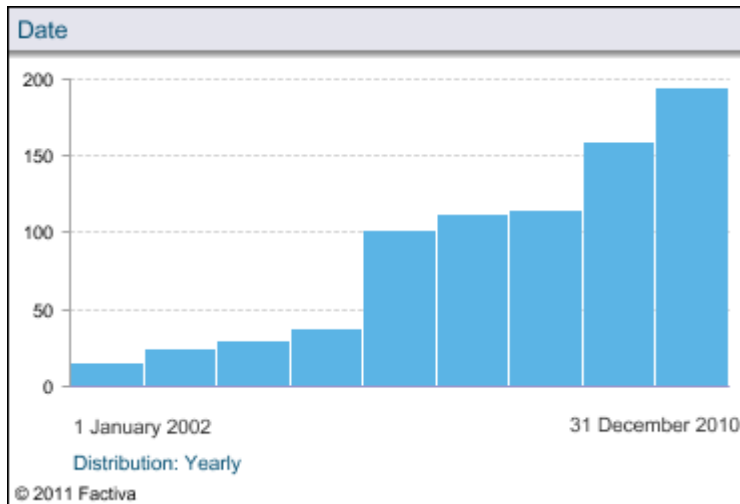
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Appendix 1

CSR n Brazil Overview



Appendix 2

Legitimation Strategies

	Gain	Maintain	Repairing
General Legitimacy	Conform to Environment Select Environment Manipulate Environment	Perceive Change Protect Accomplishments <ul style="list-style-type: none"> Police Operations Communicate Subtle Stockpile Legitimacy 	Normalize Restructure Don't panic
Pragmatic Legitimacy	Conform to Demands <ul style="list-style-type: none"> Respond to needs Co-opt institutions Build reputation Select Markets <ul style="list-style-type: none"> Locate friendly audience Recruit friendly co-optees Advertise <ul style="list-style-type: none"> Advertise product Advertise image 	Monitor Tastes <ul style="list-style-type: none"> Consult opinion leaders Protect Exchanges <ul style="list-style-type: none"> Police reliability Communicate honestly Stockpile trust 	Deny Create Monitors
Moral legitimacy	Conform to Ideals <ul style="list-style-type: none"> Produce proper outcomes Embedded in Institutions Offer symbolic display Select Domain <ul style="list-style-type: none"> Define goals Persuade <ul style="list-style-type: none"> Demonstrate success Proselytise 	Monitor Ethics <ul style="list-style-type: none"> Consult professions Democratic Dialogue Protect Propriety <ul style="list-style-type: none"> Police responsibility Communicate authoritatively Stockpile esteem 	Excuse/Justify Disassociate <ul style="list-style-type: none"> Replace personal Revise Practice Reconfigure
Cognitive Legitimacy	Conform to Models <ul style="list-style-type: none"> Mimic standards Formalise operations Professionalise operations Select Labels <ul style="list-style-type: none"> Seek certifications Institutionalisation <ul style="list-style-type: none"> Persist Popularise new models Standardise new models 	Monitor Outlooks <ul style="list-style-type: none"> Consult doubters Protect Assumptions <ul style="list-style-type: none"> Police simplicity Speak matter-of-factly Stockpile interconnections 	Explain

Appendix 3

Chronological Overview of Developments of the Measurement against Deforestation

	Industry	Action	Driver
2006			
060406	SOY BEANS	<i>Greenpeace report Eating up the amazon - leading cause of Amazon deforestation</i> <ul style="list-style-type: none"> Based on article in Nature - 2050 40 % of Amazon will be lost if this tempo proceeds On-the-ground-monitoring, satellite monitoring, unreleased governmental documents Three major companies ADM, Bunge, Cargill 	
060616	SOY BEANS	<i>International soy giants get infrastructural help from BR Government</i> <ul style="list-style-type: none"> BR government will pave Amazon highway to facilitate soy bean export Greenpeace activists shut down Cargill facilities in BR, FR and GB. 	
060724	SOY BEANS	<i>Leading European fast-food chains , food manufacturers and supermarkets calls for ban of illegal soy beans</i>	-Greenpeace report 'Eating up the Amazon'
060724	SOY BEANS	<i>Four Main trading companies will boycott products from deforested areas.</i> <ul style="list-style-type: none"> ADM, Bunge, Cargill, Luis Dreyfus Above and Anec will implement governance system to prevent deforestation 	-An agreement by supermarkets, food companies and international fast food chains.
060725	SOY BEANS	<i>Greenpeace praised soy traders, but 2 year ban is not enough to save the Amazon</i> <ul style="list-style-type: none"> Soy traders agreed on two year moratorium 	
2008			
080617	SOY BEANS	<i>The soy bean moratorium is extended until July 2009</i> <ul style="list-style-type: none"> The initiative will be extended to timber and cattle industry, according to environmental minister Greenpeace endorse the agreement 	
080717	TIMBER	<i>Logging industry and Government ban illegal timber from deforested Amazon biome</i> Pact for Legal and Sustainable Timber	-Building on the fruitful corporation from soy bean industry 2006 -Greenpeace call for protecting the Amazon
2009			

090601	CATTLE	<i>Greenpeace issues the report Slaughtering the Amazon</i>	
		<ul style="list-style-type: none"> • The cattle sector is the single largest driver for deforestation in the Amazon • Brazil has the greatest annual average deforestation by area in the world • BR governmental forecast a doubling of BR share in global trade in beef products by 2108 • To reach the goal BR government invests in all parts of the beef products supply chains • BR government has several environmental goals but at the same time, is founder and shareholder in several players in the cattle sector 	
090804	CATTLE	<i>Major shoe brands demand moratorium on destruction of the Amazon</i>	Greenpeace report 'Slaughtering the Amazon'
		<ul style="list-style-type: none"> • Clarks, Adidas, Nike and Timberland • Demands on stringent tracing systems • Bertin agrees to ensure zero products from deforested areas 	
090925	CATTLE	<i>JBS has agreed to commit to moratorium after months of conflict</i>	Greenpeace report 'Slaughtering the Amazon'
		<ul style="list-style-type: none"> • The moratorium is already backed by Bertin and Marfig • Greenpeace praised JBS 	
091006	CATTLE	<i>Four biggest cattle producers signed the moratorium for sustainable cattle in the Amazon biome</i>	Greenpeace report and calls from food companies and shoe producers
		<ul style="list-style-type: none"> • Marfrig, Bertin, JBS-Friboi and Minerva • Greenpeace says it is a victory for protecting the Amazon • Government will provide high-resolution satellite images to monitor the area 	
2010			
100317	CHARCOAL	<i>The Amazon moratorium is extended to include the Cerrado and charcoal industry</i>	Previous Amazon moratorium and World Bank criteria
		BR government announced plan to encourage companies not to use charcoal from native trees	

Quotes from Corporate Communications on Deforestation in the Amazon

Amaggi 2007

“With the task of monitoring production, the business sector and civil society organizations have united via the GTS (Soy Workgroup) responsible for implementing and controlling the Moratorium process.” AR 2007

“During the first assessment in the field, all these areas were flown over, photographed and documented with the aim of identifying the type of actual soil use and incidence of soy plantations in these areas.” AR 2007

“This initiative scheduled to last for a two year period seeks to reconcile preservation of the environment with economic development through the responsible and sustainable use of natural resources.” AR 2007

“the Round Table looks to develop a definition for responsible soy with criteria that embraces both environmental, economic and social aspects.” AR 2007

“The Soy Moratorium is an agreement established on July 24 2006 by industries and exporters associated with ABIOVE (Brazilian Association of Vegetable Oil Industries) and ANEC (National Association of Cereal Exporters), not to commercialize soy from deforested areas within the Amazon biome subsequent to the date the commitment was signed.” AR 2007

“The first stage in this development process was the identification of the most significant social and environmental aspects of soy production carried out in 2006 by a smaller group of specialized professionals and experts on the subject of international repute.” AR 2007

“The Round Table on Responsible Soy (RTRS) is a global initiative that seeks to prepare, implement and monitor the global dialogue between those involved in promoting the product ion, processing and commercialization of responsible soy.” AR 2007

“In a General Assembly held in May, 115 participants including NGO's, soy producers, commercial associations and other entities contributed in debates on pertinent questions such as the creation of a Principles, Criteria & Verification Development Group.” AR 2007

“With the task of monitoring production, the business sector and civil society organizations have united via the GTS (Soy Workgroup) responsible for implementing and controlling the Moratorium process” AR 2007

“Using data from the PRODES (Program for the Calculation of Amazon Deforestation) system at the National Institute of Space Research (INPE), 193 deforested areas of more than 100 hectares were identified within the soy production regions...” AR 2007

“During the first assessment in the field, all these areas were flown over, photographed and documented with the aim of identifying the type of actual soil use and incidence of soy plantations in these areas.” AR2007

2008

“The evaluation of properties is composed by two stages:

- Social-environmental Enrolment: It consist in gathering of property information and data, water and soil conservation practices, the applied agricultural technology, social management, occupational safety, the environmental protected areas, property infrastructure and legal conformity.
- Social-environmental Inspection: It consists in verifying the conditions on-site of the practices mention above.” SR 2008

“Amaggi is MT foundation partner since 2005 with the purpose to disseminate a set of principles for good agricultural practices and environmental management on agricultural property.” SR 2008

“They shall work together with Brazilian governmental, entities that represent rural producers and civil society to:

- a) Carry out monitoring within the Biome;
- b) Sensitize soy farmers to comply with that set forth in the Brazilian Forestry Code;
- c) Collaborate with and insist the Brazilian government define, apply and comply with public policies (Economic & Ecological Zoning) regarding land use in the region. “ PR 2008

“The Ministry of the Environment supports this initiative by the agribusiness industry and civil society” PR 2008

“The soy moratorium is a commitment established on July 24, 2006, by industries and exporters associated with ABIOVE and ANEC not to commercialise soy that was grown in deforested areas from that date mentioned above within the Amazon biome.” SR 2008

“The sustainability practices, environmental and labour issues must be a concern of those who make a part of our production chain.” SR 2008

“The qualification program for the soy bean supply chain of Andre Maggi group seeks to promote a responsible agricultural production impelling the producer to manage their farms having in mind the good agricultural and sustainable practices as a reference.” SR 2008

“The producers that receive financial support from the company are evaluated and the social environmental information of the properties are put on the record of producer on our information system.” SR 2008

“For Andre Maggi Group, the suppliers are tactical and essential to the evolution of our business, so they must be aligned to our practices and values. Our challenge is to mobilise and impair this chain.” AR 2008

“The monitoring methodology consists in using PRODES (Amazon Deforest Calculus Prorgam) system data fom INPE, and subsequent flight over all areas in the soybean sowing period to verify the use of the land and soybean sowing occurrences.” SR 2008

“For the traditional soybean producer communities located in the soybean culture expansion area (Feliz Natal, Vera and Uniao do Sul, all of them in Mato Grosso) a pilot project on the purpose of monitoring was created in order, to verify the occurrence of soybean culture in areas smaller than 100 hectares.” SR 2008

“Acknowledging that this initiative of a constructive dialogue to improve governance has achieved positive results” PR 2008

“The environmental department is a part of the credit approval strategy, possessing veto power on the negotiation. This is based on the enrolment information and on the inspection to base the decision.” AR 2008

“The SWG is composed of the enteties ABIOVE and ANEC, of the companies, AMAGGI, ADM, Bunge and Caargill and of the civil society organisations Conservation International Brazil, Amazone Institute of Environmental Studies, The Nature Conservancy and WWF Brazil.” SR 2008

“The main goal is to present and discuss the environmental management principles, their basis and applications, and mainly the adaptation of such in terms of agricultural property” SR 2008

“This initiative seeks to conciliate the environment preservation with the economic development by using natural resources with responsibility and sustainability” SR 2008

“For Andre Maggi Group, the suppliers are tactical and essential to the evolution of our business, so they must be aligned to our practices and values.” SR 2008

“A declaration commitment to extend the Soy Moratorium for one more year was signed in Brasilia this Tuesday (June 17). As the term the Moratorium is valid for comes to an end on July 23 2008 all parties involved have committed themselves to ensuring continuity until July 23 2009.” PR 2008

2009

“Designed to meet the needs of the Environmental Policy of André Maggi Group, it includes a set of instructions and procedures covering all Group operations so as to prevent environmental damages and costs, continuously improving processes and trying to positively influence the quality of life for future generations.” SR 2009

“To carry out monitoring of production, the companies and non-governmental organizations (NGOs) jointly acted in a Soy Working Group (GTS), responsible for the implementation and process control of the Moratorium.” SR 2009

“Initially an initiative of the private sector and civil society, the Moratorium received the support of the Minister of the Environment, Carlos Minc, who formally joined the initiative last year.” PR 2 2009

“According to Minc, “Soy Moratorium is a well succeeded example. The monitoring of the Ministry of Environment concluded that soybean is not anymore an important element in the Amazon deforestation.”” PR 2 2009

“In agreement with the GTS, the current monitoring data – provided by the company Globalsat Sensoriamento Remoto – indicates that the expansion of soya production is very low in that region, corresponding to a figure of 0.88%.” PR 2009

“The GTS plans to report the Moratorium case in a parallel session to the U.N.’s Convention on Climatic Changes, which will be held in Copenhagen in December. The objective is to show that corporate responsibility measures, such as the Soy Moratorium, can contribute positively to the reduction of greenhouse gas emissions.” PR 2 2009

“The GTS includes the ANEC and ABIOVE entities, as well as Amaggi, ADM, Bunge and Cargill, and NGOs: Conservation International (CI-Brasil), Greenpeace, civil society organizations Conservation International (CI-Brazil), Greenpeace, Amazon Environmental Research Institute (IPAM), The Nature Conservancy (TNC) and WWF Brazil. The monitoring methodology is via the system PRODES (Program for the Calculation of Deforestation in the Amazon), and INPE (National Institute for Space Research) with subsequent data filter applications to check those areas likely to contain soybean crops.” SR 2009

“Provide training to all employees and contractors who operate in the name of Grupo Andre Maggi” SR 2009

“The Group, through its Environmental Policy, is committed to preserving the environment by minimizing solid waste, continuously monitoring environmental performance and establishing a framework for analyzing environmental goals, aiming to satisfy our customers, employees, community and shareholders.” SR 2009

“INPE data on last year’s forest canopy loss in the Amazon indicate the deforestation profile is changing, with an increase in the number of deforested areas with less than 100 hectares, compensated by a significant drop in deforestation of larger areas – precisely those directly monitored by the GTS.” PR 2 2009

“This Tuesday, July 28, 2009, the business sector connected to soy processing and export (ABIOVE, ANEC and their members), civil society organizations (Greenpeace, Conservation International-Brazil, WWF-Brazil, IPAM and TNC) and the Ministry of the Environment announced the renewal of the Soy Moratorium in the Amazon Biome until July 2010.” PR 2 2009

“In 2009, the commitment was extended and Banco do Brasil joined the group as an important membership, preceded by the Ministry of the Environment and INPE (National Institute for Space Research) in 2008.” SR 2009

“Participation in actions such as the Moratorium is embraced by the Mission of the Grupo André Maggi, which is to contribute to the development of agro business, whilst respecting the environment.” PR 2009

“The Moratorium brought a new level of reliable information that is able to assure consumers of the origin of soya. The monitoring data is available on the site www.abiove.com.br and we are open to auditing, in the name of transparency...” PR 2009

"I recognize the positive effort and credit the significant reduction in deforestation to pacts such as the Soya Moratorium. The best way to combat deforestation is for the government, companies and ONGs to work together." PR 2009

"The goal is to interact with producers whose production is commercialized by the Group, leading to a gradual improvement in terms of legal framework and socio-environmental performance standards." SR 2009

"...the methodology for monitoring and filtering has been improved, allowing the verification of areas larger than 25 hectares. Methodology change was a reflection of the change in deforestation profile on the Amazon biome from large to smaller areas." SR 2010

2010

"The director read a document signed by the European Soy Customer Group – comprised of companies such as Carrefour, Wal-Mart Macdonald's – in which they recognize the efforts and results of the Soy Moratorium." PR 2010

"The Environment Minister, Izabella Teixeira, also signed the term that ensured the moratorium for another year." PR 2010

"According to data from the National Institute for Space Research (INPE), soybeans crops accounted for only 0.25% of total deforestation in the last three years in the states of Mato Grosso, Pará and Rondônia." PR 2010

"The minister Izabella Teixeira highlighted the Soy Moratorium as a fundamental tool to clarify and demystify the information about deforestation in Brazil." PR 2011

"Another advance celebrated during the meeting was the participation of INPE in the program." PR 2010

"Tanguro followed Tucunaré Farm, which was the first soy farm to hold ISO 14001 certification in Brazil. Our good performance in the field tests of the Round Table of Responsible Soy (RTRS), which we joined since its creation, and the approval of RTR standard version 1.0 during the Association meeting in June 2010, prepared us to be one of the first companies in the world to seek such certification." SR 2010

"A commitment made by industries and exporters affiliated to the Brazilian Association of Vegetable Oil Industries (Abiove) and the National Association of Grain Exporters (ANEC) to boycott soy grown in deforested areas in the Amazon biome, from the date of signature on July 24, 2006." SR 2010

"The recognition of international customers reinforces the important role of this work, which separates the producers aware of those who still did not fit the new times" PR 2010

"According to data provided by Greenpeace, in Mato Grosso, for example, the area planted increased by 7.3% over the previous crop. Data from the Institute of Man and Environment (Imazon), shows that during this same period fell by 35% in the accumulated deforestation in the state compared to 2008/2009." PR 2010

“She added that believes it is essential to take the example for other productive sectors.” PR 2010

“The initiative, created to fill a gap in governance on the issue of deforestation in the Amazon biome, uses economic penalties to discourage deforestation.” SR 2010

“Results show that soybean plantations reached only 0.25% of the total deforested area. This represents 0.027% of the total area planted with soybean in Brazil. Data analysis shows the soy moratorium was one of the forces inhibiting soy advance in deforested Brazilian Amazon in the in the past three years” SR 2010

“This was the main reason the André Maggi Group became an early and leading proponent of the Moratorium.” SR 2010

“The presentation was made by the Working Soy Group (GTS), composed by Abiove, ADM, Amaggi, Anec, Bunge, Cargill, Conservation International, Greenpeace, IPAM, Louis Dreyfus, TNC and WWF Brazil.” PR 2010

“In its third year of monitoring activities, the Soybean Work Group (GTS) - formed by the segment industries and civil society organizations - agreed to enter into a partnership with INPE to use a tool especially developed to spot farming in deforested areas by sorting satellite images.” SR 2010

“Among the main results of work is small participation of the activities related to soybeans in deforestation after 2006.” PR 2010

“Our target is to reach it in the shortest possible time, not only because this means the challenge of thinking a new Vision, but because we know this way we will affect the agribusiness sector positively, showing that responsible production is quickly becoming one of the main transformation engines in this country.” SR 2010

“The Soy Moratorium, whose main goal is the commitment to not trade the grain that comes from deforested areas of the Amazon biome after 2006, was renewed for the fourth time” PR 2010

Bunge **2008**

“During the second half of 2007, discussions concerned the implementation of a mapping and monitoring system for the region, which is at an advanced stage of development and sufficient to ensure compliance with the moratorium.” AR 2008

“We continue to work to engage the government with the ultimate goal of achieving a plan for sustainable development in the Amazon. We strongly believe that this is the best way to contribute to its conservation.” SR2008

“Another important step was the creation of a reference map by the National Institute for Space Research, or Instituto Nacional de Pesquisas Espaciais (INPE).” SR 2008

“The Company has adopted the internal procedure of assessment of suppliers with regard to criteria related to quality, punctuality, sustainability and trust in products and services.” AR 2008

“Among the results achieved through this agreement was the absence of soy planted in newly deforested areas in the Amazon biome during the 2007/2008 crop year in the areas mapped.” AR 2008

“One of the most important results achieved by the Soy Moratorium came to light in April 2008, when the result of the satellite monitoring, reconnaissance flights and site visits to areas deforested after the agreement came into force revealed that no soy had been planted in new areas opened up within the Amazon biome.” AR 2008

“One of humanity’s greatest natural assets, the Amazon Rainforest is believed by many scientists to play a fundamental role in ensuring the balance of the Earth’s biosphere. Constant deforestation in the region, primarily caused by the illegal extraction of timber, livestock farming and agriculture, is of concern to the national and international community. For this reason, Bunge has been a signatory to the Soy Moratorium since 2006, under which we agree not to sell soya produced in newly deforested areas of the Amazon for a period of two years.” AR 2008

“The issue of deforestation, particularly in the Amazon, is also one of Bunge’s main concerns.” SR 2008

2009

“Cooperation and Financial Support for implementing GTA Eletrônica – the Animal Transport Receipt within the states of the Biome together with the Ministry of Agriculture, Animal Husbandry and Supplies (MAPA). The GTA is an instrument to prove origin (traceability) and supplements monitoring activity with an Invoice for cattle sales” AR 2009

“Bunge is one of the signers of the Amazon Soy Moratorium.” SR2009

“The renewal runs until 2011, and has been endorsed by the Ministry of the Environment, as a commitment that goes beyond the laws in effect.”

“The most recent study, which was finalized in 2010, showed that soy beans were present in only 0.25% of the new deforested areas for the three-year period of 2007/2008/2009.” SR 2009

“Five rural producers were blocked on Bunge’s records for not complying with the Soy Moratorium.” SR 2009

“Monitoring the areas is very complex and extensive, however, and the working group, composed of NGOs, associations and companies, is identifying a new means of conducting the studies, so as to make them more practical.” SR 2009

2010

“Renewed for the third year, now until 2011, this agreement is signed by the Environment Ministry and the associations representing industry and exporters – the Brazilian Vegetable Oil Industry Association (Abiove) and the Brazilian Grain Exporters’ Association (Anec).” AR2010

“I would like to highlight our work with the Prince’s Rainforest Project (PRP), which aims to reach consensus on actions to reduce tropical forest deforestation.” SR 2010

"In 2010, the commitment was renewed for the fourth time and the Environment Ministry and INPE (National Institute for Space Research) adhered to it." SR 2010

"Go beyond mere compliance with local environmental legislation and other requirements applicable to its processes, products, and services. Bunge continued to consolidate important voluntary commitments, such as the Soybean Moratorium, which prevents sale of soybeans grown in areas of new deforestation of the Amazonian Biome." SR 2010

"Five suppliers were blacklisted by Bunge in the 2010 harvest, for noncompliance with the moratorium." SR 2010

"Bunge already has its evaluation on 2010/2011: in all, 72 producers were put on hold for recent noncompliance with the Moratorium rules." AR 2010

"In 2010, the control system blocked: 64 producers for use of forced, slave-like labor; five 2010 crop suppliers for non-compliance with the soybean moratorium (and another 72 early in 2011), and 1,873 producers whose names had been blacklisted by IBAMA, for environmental irregularities." AR 2010

"However, the surveys carried out by the National Institute for Space Research (Inpe) based on satellite imagery in the 2009/2010 period show that soybean crops still covered 6,295 hectares of land deforested after July 2006; this is equivalent to 0.25% of all logging performed in the Amazon between 2007 and 2009, in the states of Mato Grosso, Pará and Rondônia." AR 2010

"Due to these efforts and in accordance with the criteria available, Bunge acquires products that can claim 100% free of IBAMA embargoes..." AR 2010

JBS-Friboi

2009

"Through the acquisition of the Bertin Group in January 2010, the Company expanded its sustainable activities and practices in the Amazon Region." PR 2009

"JBS will formally communicate these requirements to its suppliers and those who do not comply will be excluded from the Company's supplier list." PR 2009

"Designed to reduce both the burning of crops in the fields and illegal deforestation, it established specific controls for the acquisition of cattle, installed a monitoring system using satellite images of its properties and encourages its suppliers to implement good production practices." AR 2009

"JBS S/A has instituted processes and procedures regarding management of all of its suppliers." AR 2009

"JBS' actions to Avoid deforestation

- a) Monitoring through satellite images of the entire Amazon Biome;
- b) The information that is collected is used for Monitoring purposes;" AR 2009

"Also to contribute to the evolution of responsible cattle raising activities and to establish production systems on sustainable basis, we created a Technical Assistance Pilot Program in partnership with the Amazonian Research Institute (IPAM) and the Aliança da Terra NGO." AR 2009

“We will expand our program to train suppliers in excellence practices in partnership with members of civil society and NGOs that are committed to the sustainable development of the Amazon region.” AR 2009

“Pursuant to these principles JBS S.A. (JBSS3 or JBSAY) communicates that as of September 23, 2009 the Company has agreed to make a commitment with the Non-governmental organization, Greenpeace with respect to the basic criteria to be followed in its operations in the Amazon biome.” PR 2009

“The Company also agrees that cattle and beef products can only be sourced from ranches or rural properties that are committed to the adoption of a reliable production traceability system which besides including the present requirements also includes environmental demands which will eliminate deforestation.” PR 2009

“The project’s objective is to establish a set of criteria for accreditation of ranches, including establishments with no condemnations for slave labor, land seizure, agrarian violence, illegal deforestation and for not owning or raising cattle in indigenous areas.” AR 2009

2010

“Our actions have helped reduce amazon deforestation by 33% in the regions where we operate” AR 2010

“We adopt social and environmental criteria when selecting our suppliers, using a check list to ensure compliance with Brazilian legislation related to land use, labor conditions, preservation of indigenous areas and any other applicable matters, including:

- areas embargoed due to illegal deforestation” AR 2010

“Deforestation prevention measures (environmental management and combating climate change)
These include:

- satellite monitoring of the entire Amazon biome;” AR 2010

“We maintain a support program for direct and indirect suppliers, including technical assistance and instruction in good cattle production practices, aiming to increase productivity in each area, thereby reducing the pressure for further deforestation.” AR 2010

Appendix 4

Chronological Overview of the Developments of the Sustainability Index

Year	Action	Driver
2005		
051101	<i>Bovespa about to introduce Corporate Sustainability Index</i> First Latin American Sustainability index Second emerging market sustainability index Potential problems with low levels of capitalisation and lack of sustainability reporting International Finance Corporation grants money Said to have lower criteria the international indexes as it is adjusted to the local context	Brazil corruption scandal 'The Mensalão scandal'
051201	<i>The BM&F Bovespa ISE index is launched at the IFC International Conference in Sao Paulo</i> Two main purposes: Facilitate for institutional investors by providing analysis and Encourage listed companies to focus more on environmental, social, and corporate governance concerns Companies included: Banco Bradesco, Banco do Brasil, Itaú, Votorantim, Natura, Perdigão Aracruz Celulose	Increasing trend in responsible investments
2006		
060301	<i>Raised voices on including environmental security in the index</i> The insurance sector argues for including environmental security in the ISE Methodology coordinator replays it is on the agenda for ISE revision	Convergence with Equator Principles
2007		
071127	<i>New Portfolio List for the ISE</i> AES TIETE, Acesita, Aracruz, Banco Bradesco, Banco do Brasil, Braskem, CCR Rodovias, CEMIG CESP, COELCE, Copel, CPFL Energia, Dasa, EletroBras, EletroPaulo, Embraer ENERGIAS BR, Gerdau, Gerdau Metalurgical, IOCHP-Maxion, ItauBanco, Light S/A, Natura Petrobras, Sabespa, Sadia S/A, Suzano Papel, Suzano Petro, Tractebel, VCP, WEG Companies excluded: ALL, Celesc, Gol, Itaúsa, Localiza, Ultrapar and Unibanco	
2008		
081125	<i>New Portfolio List for the ISE</i>	

	AES TIETE, Acesita, Banco Bradesco, BRF Foods, Banco do Brasil, Braskem, CEMIG, Celesc CESP, COELCE, CPFL Energia, Dasa, Duratex, EletroBras, EletroPaulo, Embraer ENERGIAS BR, Gerdau, Gerdau Metalurgical, ItauBanco, Light S/A, Natura, Odontoprev Sabespa, Sadia S/A, Suzano Papel, Suzano Petro, Telemar, TIM, Tractebel, Unibanco, VCP Companies excluded: Aracruz, CCR Rodovias, Copel, Iochpe-Maxion, PetroBras, WEG	
2009		
091005	<i>New Portfolio List for the ISE</i> AES Tiete, Banco Bradesco, Banco do Brasil, Braskem, BRF Foods, Cemig, CESP, COELCE Copel, CPFL Energia, Dasa, Duratex, EletroBras, Eletropaulo, Embraer, Energias Brasil Even, Fibria, Gerdau, Geradau Metalurgical, Industrias Romi, Itausa, Itau-Unibanco Light S/A, Redecard, Sabespa, Sul America, Suzano Papel, Telemar, TIM, Tractebel Usiminas, Vivo	
2010		
	<i>New Portfolio List for the ISE</i> AES Tiete, Braskem, Copasa, Eletropaulo, Gerdau, Light S/A, Sulamérica, Ultrapar, Anhanguera, Brf foods, Copel, Embraer, Gerdau metalurgica, Natura, Suzano papel, Vale, BCBanco, Cemig, CpfL energia, Energias BR, Inds Romi, Redecard, Telemar, Vivo, Bradesco, Cesp, Duratex, Even, Itausa, Sabesp, Tim part S/A, Banco do Brasil, Coelce, Eletrobras, Fibria, Itauunibanco, Santander, Tractebel	

Quotes from Corporate Communication on the Sustainability Index

Petrobras

2006

"Petrobras also won further important recognition of its performance: its selection for the Dow Jones Sustainability Index and the ISE (Bovespa Corporate Sustainability Index)" AR 2006

"...the results of dedication to be aligned with international social and environmental responsibility standards, made the Company even prouder: the admission to the Dow Jones Sustainability Index (DJSI) and to São Paulo Stock Exchange (Bovespa) Corporate Sustainability Index (ISE)." SR 2006

"Inclusion in the ISE, in addition to emphasizing the company's commitment to sustainability, also expanded its investor base, by attracting those that place a premium on the criteria of social and environmental responsibility when compiling their investment"" AR 2006

"The ISE is a pioneer enterprise in Latin America, which seeks to create an investment environment compatible with the demands of sustainable development of modern society and encourage corporate ethical responsibility." PR 2006

"The company's inclusion in these indices is recognition of Petrobras' commitment to ideals such as environmental equilibrium, social justice, economic efficiency and good corporate governance." AR 2006

"has been admitted to the list of companies, whose shares compose the Corporate Sustainability Index of (ISE) BOVESPA that demonstrate a high level of commitment to sustainability." AR 2006

"Transparent performance, based on ethical principles and respect for the environment and for society in general has also led to Petrobras being included in the Bovespa Corporate Sustainability Index (ISE)" PR 2 2006

2007

"One of the major results obtained was renewed inclusion in the Bovespa Corporate Sustainability Index (ISE) and the Dow Jones Sustainability Index (DJSI), respectively the most important indicators of corporate sustainability in Brazil and worldwide." AR 2007

"The ISE is a pioneering initiative in Latin America, designed to create an investment environment that is compatible with sustainable development demands imposed by the contemporaneous society and to encourage ethical corporate responsibility. After undergoing a revision process which involved the participation of several stakeholders, the ISE is now in its third edition." PR 2006

"The company is listed at the Corporate Sustainability Index of Bovespa (ISE), which means that it is recognized in the market by its transparency and good corporate governance practices." AR 2007

"The company's transparent performance, based on ethical principles and on respect for the environment and for the society was also reflected in Petrobras' having been maintained on Bovespa's Corporate Sustainability Index (CSI)" PR 2 2007

"The renewal of Petrobras' participation in the ISE is a major victory for the company and is the outcome of its efforts to realize its strategic objectives of growing with profitability and social and environmental responsibility." AR 2007

"One of the major results obtained was renewed inclusion in the Bovespa Corporate Sustainability Index (ISE)" AR 2007

"Another 2007 highlight was the renewal of the Company's participation in the Dow Jones Sustainability Index and São Paulo Stock Exchange (Bovespa) Business Responsibility Index" SR 2007

"for the second consecutive year, it has been included in the list of companies whose shares compose Bovespa's Corporate Sustainability Index (ISE) for their high degree of commitment to sustainability and social responsibility." PR 1 2007

"After undergoing a revision process which involved the participation of several stakeholders, the ISE is now in its third edition." PR 1 2007

2008

"In 2008 Petrobras was no longer part of the corporate portfolio of the Sao Paulo stock exchange Sustainability index (ISE.Bovespa), where it has been listed since 2006." SR 2008

"The chairman of the deliberative council of the Ethos institute disclosed to the press the presumed reason for Petrobras being delisted, information which concerns only the members of the ISE deliberative council, since it is protected by a clause of confidentiality. For this reason the company decide to disassociate from the Ethos Institute and the institute was suspended from the ISE council for one year." SR 2008

"For this reason the company decide to disassociate from the Ethos Institute and the institute was suspended from the ISE council for one year." SR 2008

"Petrobras is facing mistaken criticism of its commitment to environmental regulation in Brazil. The company has been addressing mitigation in relation to air pollution for a long time, being part of the Program for Air Pollution Control of Automotive Vehicles (PROCONVE) from the National Environmental Council (CONAMA) related to Brazilian Environmental Ministry since 1986." Letter to Covalence 2008

"It is important to remark that Petrobras has been dialoguing with the public on the subject of vehicle emissions. These dialogues occurred in various forums and on various occasions. These dialogues gave birth to the legal agreement mentioned above." Letter to Covalence 2008

"The statement that the current quantity of sulfur in diesel is responsible for serious respiratory diseases in the Brazilian population is questionable, even in the metropolitan environment." Letter to Covalence 2008

"...Petrobras has officially requested from ISE Board the reasons for our exclusion from the index. The answer from ISE Board was evasive, and did not specify any technical reason for the exclusion." Letter to Covalence 2008

"It is important to note that Petrobras is part of DJSI index since 2006 and has renewed its participation for 2008/2009." Letter to Covalence 2008

Natura

2005

"Natura is also among the 28 companies that have their stocks chosen by the São Paulo Stock Exchange to compose the Corporate Sustainability Index."" AR 2005

"The Index was created with methods developed by the Getulio Vargas Business School in São Paulo (FGV-Eaesp) to identify the companies with the best performance in all facets of sustainability." AR 2005

2006

"In recognition of the company's commitment to sustainability, in 2006 Natura's shares continued to be listed on the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange" (Bovespa).

2007

"BOVESPA Corporate Sustainability Index (ISE), which includes a series of sustainability criteria that the listed companies must fulfil" AR 2007

"Since 2005, we have also been included on the BOVESPA Corporate Sustainability Index (ISE)" AR 2007

2008

"...the Corporate Sustainability Index (ISE), which uses sustainability criteria to select shares of listed companies" AR 2007

"We also feature, for the third consecutive year, on the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange." AR 2008

2009

"Due to our commitment to sustainability, in 2009 we appeared for the fourth consecutive year on the Corporate Sustainable Index (ISE) of Bovespa" AR 2008

"Due to our commitment to sustainability, in 2009 we appeared for the fourth consecutive year on the Corporate Sustainable Index (ISE) of Bovespa" AR 2009

2011

"For five consecutive years, we have been included in Bovespa's Corporate Sustainability Index (CSI)"

Copel

2005

"Such index has been developed in cooperation with the International Finance Corporation - IFC, and is similar to the Dow Jones Sustainability Indexes published by the New York Stock Exchange - NYSE." AR 2005

"The ISE is designed to measure the return on a portfolio composed of shares of companies that are highly committed to social responsibility and corporate sustainability, and also to promote good practices in the Brazilian corporate environment, considering such aspects as corporate governance, economic efficiency, environmental balance and social justice." AR 2005

2006

"Inclusion in Bovespa's Corporate Sustainability Index (CSI) for the second year in a row São Paulo Stock Exchange" AR 2006

2007

"COPEL is a member of BOVESPA's Corporate Sustainability Index (ISE)" AR 2007

"Thanks to the environmental actions taken by the Company in sync with its strategic planning, it reached an environmental performance score of 60% in 2007, against 49% in 2006." AR 2007

"COPEL also enjoyed significant recognition of its performance and of its initiatives in the area of sustainability." AR 2007

"...the Company's shares remained, for the third year in a row, in the portfolio of the Corporate Sustainability Index published by BOVESPA" AR 2007

2008

2009

"Corporate Sustainability Index – ISE is composed by shares of companies committed to environment, corporate ethics and accounting transparency, among other dimensions." AR 2009

"...Corporate Sustainability Index – ISE of BM&FBovespa, certifying effectiveness of programs and projects of social, environmental and citizenship responsibility implemented by the Company." AR 2009

"The return to such group demonstrates Company's commitment with sustainability, in addition to a great strategic meaning." AR 2009

"Copel's shares are integrating again portfolio of sustainable companies in Stock Exchange of São Paulo – BM&FBovespa." AR 2009

2010

"Evaluation of Bovespa Corporate Sustainability Index - ISE , to continue in the portfolio is achieved" AR 2010

Eletrobras

2005

"In the financial market, Eletrobrás was chosen by Bovespa (the São Paulo Stock Exchange) to be listed in the Sustainable Corporate Index (ISE)." AR 2005

"...Eletrobrás was chosen by Bovespa (the São Paulo Stock Exchange) to be listed in the Sustainable Corporate Index (ISE)." AR 2005

2006

"With the purpose of being listed at ISE again, as in 2005, Eletrobrás took some important steps" AR 2006

2007

"Eletrobrás had its shares listed in the said index in December 2007, being one of those companies that have the best corporate sustainability practices based on the concept Triple Bottom Line.""
AR 2007

2008

"The operations of the Eletrobrás System Sustainability Committee, with task forces focused on the three dimensions of Sustainability (triple bottom line: economic-financial, social and environmental), contributed heavily to Eletrobrás' inclusion in the 2008 Bovespa ISE, whose evaluation criteria also include the corporate governance dimension."" AR 2008

"...is yet another confirmation of the positive choices that have been the hallmark of our corporate governance and our decisions with regard to environmental, social and economic-financial issues." AR 2008

"The index evidences our role as promoters of good governance practices in the Brazilian business community."" AR 2008

"Listing on this index signifies a commitment to corporate sustainability, which represents a differential for investors. It means, also, that the company has investments that are compatible with the requirements for sustainable development"" AR 2008

"Being listed in this index means engagement with business sustainability and in an investment environment compatible with the demands for a sustainable development."" AR 2008

"the listing of the company, for the second year in a row, on the Corporate Sustainability Index of the São Paulo Stock Exchange (ISE/Bovespa)"" AR 2008

"Finally, it is important to point out that for the second consecutive year, Eletrobrás was listed on the Bovespa Index of Corporate Sustainability (ISE/Bovespa)"" AR 2008

"As a reflex to these ideals which guide the management practices in all companies in the System, Eletrobrás was listed, for the second year in a row, among the companies in Bovespa Sustainability Index."" SR 2008

2009

"With the PAE, an increase in adherence to the Corporate Sustainability Index criteria from the Bolsa de Valores de São Paulo (ISE Bovespa) is expected"" AR 2009

"the Bovespa Corporate Sustainability Index, an index which attests our role as good practice and sustainability drivers in Brazil's Corporate scene."" AR 2009

"For the third year in a row, we are able to celebrate being listed, in the Bovespa Corporate Sustainability Index"" SR 2009

2010

"For the fourth year in a row (2007, 2008, 2009, 2010), Eletrobras was included on the BM&FBOVESPA's ISE." AR 2010

Appendix 5

Chronological Overview of Equator Principles and the Amazon dams

	Action	Driver
2002		
030604	Nine international banks meet up in London to discuss how to handle environmental and social risks in relation to project finance. The working group concludes that the most useful existing principles are the one used by the International Finance Corporation in emerging markets.	Banks handling of environmental and social risks in project finance.
2003		
	The principles are launched in Washington D.C. and adopted by ten financial institutions	
2004		
040804	Banco Itau, Banco Itau BBA, Banco Bradesco adopt the principles.	
2006		
060302	The Brazilian government wants to extend the environmental requirement existing for governmental bank to also include private banks. The requirement is to veto loans to projects that not have an environmental licence from the government.	Deforestation in the Amazon.
060606	The Equator principles are revisited to include a consultation component with the most important stakeholders, and also more focus on social issue with inclusion of a grievance mechanism.	
2009		
090801	Several non-governmental organisations argue that all Brazilian banks that have signed up to the Equator Principles are financing two dam projects, the San Antonio dam and the Jirau dam, in a very sensitive area in the Medeira river. The organisation concludes that due to signing the principles, the banks should steer clear from the projects.	
091127	Indigenous leaders in Brazil and Bolivia accuse the National Development Bank of Brazil (BNDES) to help financing the two river dam projects, San Antonio and Jirau, leading to deforestation and severe environmental consequences.	

Corporate Communication on Equator Principles and the Amazon dams

Itau Unibanco

“Participating institutions commit to finance projects which are developed in a socioenvironmentally responsible manner, based on the internationally recognized criteria of the International Finance Corporation’s (IFC) Performance Standards.” (Itau Unibanco 2009)

"Between September 2008 and March 2010, Itaú Unibanco chaired the Equator Principles Steering Committee, a landmark for the dissemination of good practices in emerging countries, particularly in Latin America." (Itaú Unibanco 2010)

"There is no policy within Itaú Unibanco or in the Equator Principles (at present) which claims you cannot have dams in the Amazon. But it's necessary to assess the impact and ensure that if there are some impacts they are limited and the overall contribution of the project is positive." (Monahan, 2009)

"...the bulk of the energy produced from the Madeira River dams "will go directly" to consumers in Rondonia..." (Monahan 2009)

"If the flow of the rivers or the amount of rainfall changes anywhere, all the economics associated with the project will change. It's a long-term effect, where the project is in effect the victim of climate change. It's one of the issues to be addressed." (Monahan 2009)

"Does this mean that the issue of GHG emissions is solved? No. We have to continue to do assessments of impacts and make sure that we control the long-term effects of the flow of sediments and so on, so that in the long-run the area inundated will be controlled according to what was planned." (Monahan 2009)

"...the "project has gone through a consultation phase. It has the full support of a democratically-elected government. It has significant support from the local population. And it is made better by having financial institutions which have leverage in setting standards." (Monahan, 2009)

"A lot of times the most important contribution of [the] Equator [Principles] is when EP banks finance projects with large impacts and standards are followed. These are standards developed by the IFC and the World Bank and applied all over the world." (Monahan 2009)

Banco Bradesco

"As a signatory to the Equator Principles, Bradesco evaluates the capacity of the developer to include and demonstrate social-environmental management in the project." (Bradesco 2010)

"Since 2005 the Organization has contracted 39 operations following the commitment's criteria, 34 of which are monitored and five of which have been wound up or renegotiated." (Bradesco 2011 b)

"Bradesco, attentive to the implications that projects of such magnitude may cause, in line with its social-environmental responsibility and as a signatory of the Equator Principles, requires that financed projects observe the best international practices and standards." (Banco Bradesco 2009)

"Independent social-environmental consulting firms that are internationally recognized and have already worked in the assessment and adequacy of projects with the same requirements were also contracted." (Banco Bradesco 2009)

"We continuously monitor the social-environmental aspects of the area affected by the projects in compliance with applicable social-environmental laws, as well as criteria set forth by the Equator Principles." (Banco Bradesco 2009)