

「 Social
「 Report **2003** 」



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1 - PRESENTATION

1.1 - LETTER FROM THE PRESIDENT



Nicandro Durante, CEO

Souza Cruz first decided to prepare a Corporate Social Report three years ago. Given that it was the first ever to be published by a cigarette company, it was reasonable to expect that it would elicit more scepticism than praise. But this was not the case. The first report made it very clear that, although it operates in an industry considered by many to be controversial, the company possesses the most rigorous standards of transparency and social responsibility.

Souza Cruz completed its first 100 years in business in 2003 as one of Brazil's five largest companies and the undisputed leader in the cigarette market. It also celebrated record earnings, reporting a full year net profit of 960 million reais in 2002. These are not accidental achievements. They reflect the shift in the company's marketing policies, the strength of its tradition and the efficiency of its engagement with stakeholders. Few companies in Brazil have been around this long; the number diminishes when we add to the equation financial health; and there are fewer still that have such promising long-term prospects.

Brazil needs financially robust companies not as the exception to the rule, but as the rule itself. These companies are the driving force behind the country's economic growth, raising the number of jobs, paying their taxes on time and operating with social responsibility to attend to the demands of society.

A robust company is built on four key elements: design, quality, investment and transparency. By design, we understand that it has clear short, medium, and long term goals – enabling it to develop consistent planning and workable strategies to meet them. By quality, it should have high production standards, an ongoing assessment of its products and a capacity to compete effectively on the market. By investment, it should reinvest its earnings and allocate resources necessary for growth. By transparency, it must be aware of its social role, assume its responsibilities and report its accounts publicly. Souza Cruz believes that these elements are inseparable. They form the foundation from which the company operates and they are embedded in our Statement of Business Principles.

Souza Cruz first decided to prepare a Corporate Social Report three years ago. Given that it was the first ever to be published by a cigarette company, it was reasonable to expect that it would elicit more scepticism than praise. But this was not the case. The first social report made it very clear that, although it operates in an industry considered by many to be controversial, the company possesses the most rigorous standards of transparency and social responsibility.

That the decision to embark on this social reporting process was the right one can be seen in the Second Cycle of Dialogue with stakeholders, held in 2003. Also, an opinion poll conducted by Indicator-GFK among 255 stakeholders revealed that the approach had been acknowledged. According to the poll, the institutional image of the company is better than that of the tobacco industry as a whole.

However, our readiness for dialogue has raised expectations about the continuity of the progress we have achieved over the past few years, a sign that new parameters create new demands. In order to live up to its growing responsibility, Souza Cruz continually invests in staff training, in dialogue with society, in expanding its productive capacity and in the social programmes it supports and develops.

This Corporate Social Report and our Statement of Business Principles reveal that we are determined to confront the controversial aspects of our business, and that we maintain a firm commitment to continue to provide society with the necessary facts to better inform our consumers, and non-smokers too, about the health risks posed by cigarette smoking, the undermining competition from illicit trade and the impact of tobacco regulation on our business.

One of the actions introduced last year, the campaign of our Free brand that conveys a moderation message, demonstrates that creative solutions can be found for the tobacco industry's apparent impasses. During the first stage of the campaign, the advertising cited activities that common sense dictates should be engaged with moderation – among them, smoking. During the second stage, the campaign broached the Free Quit Line service, set up and run for people who want to stop smoking. In both cases, Souza Cruz intended to emphasise that the choice of whether or not to smoke is made exclusively by the consumer, that the smoker should make a well-informed decision and that those who decide not to give up the pleasure of smoking should do so consciously.

The firm results achieved over the past few years reinforce the need to maintain, and improve, these channels of dialogue. For this process to be ongoing, and increasingly more productive, we are counting on your opinion, criticism and suggestions.

Nicandro Durante, President of Souza Cruz

2 - THE PRINCIPLES

2.1 - SOUZA CRUZ BUSINESS PRINCIPLES

- **Mutual Benefit**
- **Responsible Product Stewardship**
- **Good Corporate Conduct**

Long before the expression social responsibility had even been coined or became an indicator of a company's commitment to the reality of countries where it does business, Souza Cruz had already demonstrated its concern for society, by supporting a range of initiatives in the areas of education, culture and health. One such demonstration was its sponsorship of Brazil's first ever journalism course, in 1948, in Rio de Janeiro's National Faculty of Philosophy. This tradition that began in the first half of the last century was never abandoned, and it inspired the formation of a social commitment expressed in the principles that have been adopted by the company.

*Business principles are the foundations upon which Souza Cruz conducts and runs its business. They form the set of values that guide the reasoning and the actions of the company, and they were presented to the stakeholders during the Second Cycle of Dialogue, in September and October of 2003. The three main principles that guide the company's business are **Mutual Benefit**, **Responsible Product Stewardship** and **Good Corporate Conduct**.*

*The principle of **Mutual Benefit** governs the relationship between Souza Cruz and its stakeholder groups. The company believes that the key to success is to listen, understand and respond to the legitimate expectations of these groups. Therefore, it aims to create an inspiring working environment for its staff while at the same time providing benefits for the communities in which it operates.*

*The principle of **Responsible Product Stewardship** is intended to meet consumer demands for a legal product, the cigarette, that is also associated with the risk of disease. In order to warn consumers of these risks, Souza Cruz aspires to develop, manufacture and market its products in a responsible manner. This implies providing clear and accurate health messages about the risks associated with smoking, to reduce the health impact of cigarette consumption whilst respecting the right of informed adults to choose the products they prefer.*

*The principle of **Good Corporate Conduct** underpins the management of the company's business, and it may not be compromised for the sake of results. It comprises respect for universally recognised human rights and the preservation of the environment. Souza Cruz follows high standards of behaviour and integrity and it believes that the concept of corporate social responsibility should be broadly promoted within the tobacco industry.*

(Read more on the Business Principles of Souza Cruz in its Annual Report 2003, available for consultation and download at the website www.souzacruz.com.br.)

2.2 - STATEMENT OF BUSINESS PRINCIPLES

2.2.1) MUTUAL BENEFIT

The principle of Mutual Benefit is the basis on which we build our relationships with our stakeholders. We are primarily interested in building long term shareholder value and we believe the best way to do this is by seeking to understand and take account of the needs of all our stakeholders.

1. We believe in creating long term shareholder value.
2. We believe in engaging constructively with our stakeholders.
3. We believe in creating inspiring working environments for our people.
4. We believe in adding value to the communities in which we operate.
5. We believe that suppliers and other business partners should have the opportunity to benefit from their relationship with us.

2.2.2) RESPONSIBLE PRODUCT STEWARDSHIP

This principle is the basis on which we meet consumer demand for a legal product that is associated with the risk of serious diseases. Therefore, our products and brands should be developed, manufactured and marketed in a responsible manner. We also aspire to develop tobacco products with critical mass appeal that will, over time, be recognised by scientific and regulatory authorities as posing substantially reduced risks to health.

1. We believe in the provision of accurate, clear health messages about the risks of tobacco consumption.
2. We believe the health impact of tobacco consumption should be reduced whilst respecting the right of informed adults to chose the products they prefer.
3. We believe that relevant and meaningful information about our products should continue to be available.
4. We believe that underage people should not consume tobacco products.
5. We believe that our brands and products should be marketed responsibly and directed at adult consumers.
6. We believe in the appropriate taxation of tobacco products as a strategy for eliminating illicit trade.
7. We believe in regulation that balances the interests of all sectors of society, including tobacco consumers and the tobacco industry
8. We believe that public smoking should be approached in a way that balances the interests of smokers and non-smokers.

2.2.3) GOOD CORPORATE CONDUCT

The principle of Good Corporate Conduct is the basis on which our business should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

- 1. We believe that our business should uphold high standards of behaviour and integrity.*
- 2. We believe that high standards of corporate social responsibility should be promoted within the tobacco industry.*
- 3. We believe that universally recognised fundamental human rights should be respected.*
- 4. We believe that the tobacco industry should have a voice in the formation of government policies affecting it.*
- 5. We believe in achieving world class standards of environmental performance.*




3 - THE PROCESS

3.1 - A COMMITMENT TO DIALOGUE AND SOCIAL RESPONSIBILITY

- The Souza Cruz Corporate Social Report follows the AA1000 international ethical and social responsibility management standard
- Souza Cruz and British American Tobacco were the first tobacco companies in the world to publish a social report in line with this international standard
- The entire process is verified by Bureau Veritas Quality International (BVQI)
- The Corporate Social Report presents Souza Cruz's position in the debate on issues that involve the tobacco industry



Corporate Social Report Verification Symbols

	Assurance of the Quality of the Base Data
	Assurance of the Quality of Numerical Data
	Assurance of the Quality of the Underlying Process



No company is an island. It possesses a vast network of relationships, made up of staff, partners, suppliers, service providers, consumers and governments. As it is an essential part of society, a company has commitments beyond those it has with its employees and the people who buy its products. This is no longer exclusively the vision of businessmen who are committed to the concept of social responsibility, it is also the vision held by increasingly more demanding consumers and by society as a whole. People expect much more from companies than just quality products and a basic degree of trust: they also want them to operate with business transparency, to behave ethically and be socially responsible. The combination of these four characteristics shapes its institutional image.

Souza Cruz is not only aware of this, but it also understands the importance of accepting responsibility for its actions. This is why it works continuously to improve relationships with its stakeholders, to communicate its commercial policy

and to lend visibility to the social responsibility actions it develops. In this way, it contributes actively to the development of society and to the dissemination of a new way of doing business.



Two years ago, Souza Cruz, together with its parent company British American Tobacco (BAT), published its Social Report 2001. By doing so, it established a new benchmark for business reporting in the country. For the first time, a Brazilian company fully adopted the AA1000 international ethical and social responsibility management standard, which is followed by some of the world's largest companies. The complete set of standards are available, in English, on the website www.accountability.org.uk.

The report also addressed issues recommended by the Global Reporting Initiative (www.globalreporting.org) and was verified by Bureau Veritas Quality International (www.bureauveritas.com). It was also the first time that a cigarette company published, worldwide, a social report based on internationally accepted standards.

According to the AA1000 standard, corporate reporting should not be limited simply to statistical data and earnings figures, it should also demonstrate that the company knows how to listen to the legitimate expectations of all sectors of society and take them into account when defining its business strategies. It basically means making public all the essential information on its activities, instead of just printing statistical data that are difficult to interpret by lay readers – or that do little to explain the company's activities.

However, for the AA1000 standard to be well applied, companies need to possess the means of consulting and maintaining regular dialogue with their stakeholders. In its 2001 Social Report, Souza Cruz conducted the First Cycle of Dialogue with stakeholder groups comprised of businessmen, lawmakers, members of the university community, doctors, financial analysts, farming associations, federal government representatives and non-government organisations.



In this Corporate Social Report, the dialogue has been taken a step further. Aside from the dialogue conducted in 2003 with new groups of representatives from civil society, a poll was conducted in May and June of 2003 by Indicator-GFK, a public opinion firm, with 255 stakeholders to establish more efficient parameters for the company's relationship with its stakeholders. The poll, based on in-depth individual interviews, heard representatives from state-level government (25), from the federal Executive Branch (26) and Legislative Branch (26), from the media (26), from the scientific community (20), business leaders (20) and NGOs (21), none of whom were in any way associated with Souza Cruz. Among the groups associated with the company, it heard from shareholders and investors (26), suppliers (20), tobacco leaf farmers (20) and retailers (25). All the interviews were recorded with the permission the participants and addressed the leading issues about the tobacco industry, about Souza Cruz and about the approach of socially responsible companies.

The Second Cycle of Dialogue took place in September and October of 2003. The 38 participating stakeholders were divided into four groups – lawmakers, doctors and health professionals, university professors and NGO representatives, sector associations, councils and institutes – that discussed the following topics: Health Risks and Consumer Information; Youth Smoking Prevention; Tackling

Illicit Trade; Responsible Corporate Conduct; Tobacco and the Environment; and Tobacco Regulation. The dialogue was moderated once again by Ambassador Carlos Alberto Leite Barbosa.

Both cycles of dialogue are representative of Souza Cruz's principle stakeholder groups and they have helped the company to better understand the demands of society and, consequently, to streamline its social responsibility and ethics. The Indicator-GFK poll and the Second Cycle of Dialogue have enabled the company to incorporate stakeholder expectations into the business strategies it will start to implement this year.

(For more on this topic, see the Future Developments chapter of this Social Report)

A company should not limit its reporting to statistical data and earnings figures for its activities, it should also listen to the expectations of all sectors of society and take them into consideration when defining its business strategies.

It needs to possess the means of consulting and maintaining regular dialogue with its stakeholders, and demonstrate that it knows how to listen to and take account of society's expectations.

4 - RECENT DEVELOPMENTS

4.1 - NEW AND SIGNIFICANT ACHIEVEMENTS

- Read about the actions implemented as a consequence of the first cycle of dialogue with stakeholders (2001)
- The inauguration of the Santa Cruz do Sul Environmental Park
- The realization of the Sustainable Brazil Contest

The First Cycle of Dialogue conducted by Souza Cruz prompted some positive actions that has reinforced the compatibility of the company's business strategy with the expectations of its stakeholders.



The First Cycle of Dialogue between Souza Cruz and its stakeholders proved to be a powerful tool for the company. Not only did it contribute proactively to defining the agenda on key issues concerning the running of the business, it also raised confidence and strengthened the company's relationship with its various stakeholder groups.

The work that began in 2001 with meetings of 24 groups of stakeholders produced more than just internal reports. It also served as a base for mobilising efforts to meet the demands – many of which are extremely complex – of the community.

*The dialogue conducted in the First Cycle identified four main groups of issues that needed to be addressed by Souza Cruz: **Consumer Information, Youth Smoking Prevention, Tackling Illicit Trade and Responsible Corporate Conduct.** All four, without exception, were given preferential treatment; the company engaged in more dialogue with stakeholders, evaluated the expectations they raised and agreed to implement, in the short term, actions to satisfy each of them.*

An example of one such action was the Free cigarette brand's campaign on smoking with moderation, which began in August 2003. During the first stage of the campaign, Souza Cruz emphasised the moderation message, releasing on its website a complete list of cigarette ingredients and smoke constituents, a pioneer move for a cigarette company in Brazil, or anywhere else in the world. The second stage addressed the issue of being Free to Smoke or Quit, and the company launched a freephone service providing tips on how to quit smoking – Free Line. To demonstrate its impartiality in the service, Souza Cruz has been consulting with the Federal University of São Paulo (Unifesp) for it to prepare the tips to help smokers who want to quit. If the first stage of the campaign surprised many in virtue of its unprecedented nature, the second caused others to ask themselves: can a cigarette company advertise about smoking restraint and kicking the habit? Souza Cruz has proved that the answer is a resounding yes.



In response to the participants of the First Cycle of Dialogue who suggested that Souza Cruz should lend more visibility to its acts of social responsibility, the company launched the Sustainable Brazil Contest, in partnership with Exame magazine, published by Editora Abril. The aim of the contest was to raise Brazilian society's perception of the combination of development and social responsibility.

The contest was open to Brazilians over 18 years of age, and a total of 103 monographs were entered by students, professors and various other professionals. This is a sizeable number, considering the complexity of the work the participants were required to produce. Herbert Kimura, PhD, author of the winning



monograph and professor of São Paulo's Mackenzie University post graduate course in Business Administration, illustrated in his paper that generation of wealth is compatible with social responsibility, entitling him to the 80,000 real prize in private pension credits.

The results of the Sustainable Brazil Contest were published in the November issue of Exame magazine. A summary of the winning paper is available on the website www.souza.cruz.com.br, along with nine others that made it onto the list of the 10 best entries.

4 - RECENT DEVELOPMENTS

4.2 - RESULTS OF THE DIALOGUE (2001)



4.2.1) CONSUMER INFORMATION

The first batch of topics raised during the dialogue conducted in 2001 focussed on the relationship between Souza Cruz and consumers. The stakeholders said, among other things, that the company could be even more transparent when disclosing information on the health risks of tobacco substances, by providing more than the minimum required by law, by taking steps to encourage more moderate cigarette consumption and by disclosing methods of how best to quit smoking.

Meanwhile, they also asked the company to respect the rights of smokers and to explore the concept of freedom of choice by fostering a harmonious cohabitation of smokers and non-smokers. They also said they expected Souza Cruz to set up a permanent dialogue with health authorities and opinion-makers, inviting them to visit the company's installations to demonstrate that it is prepared to address all the issues related to the tobacco industry and that it conducts its business with transparency

The expectations raised concerning these fundamental questions and the subsequent actions implemented by the company in response are contained in the box below.

CONSUMER INFORMATION	
Stakeholder Expectations	Implemented Actions
<p>Transparency</p> <p><i>Souza Cruz needs to be transparent when releasing information for consumers on:</i></p> <ul style="list-style-type: none"> - The health risks of cigarette substances. - Product components and their functions. - The significance of tar, nicotine and carbon monoxide levels. - The relationship between cigarette smoking and the occurrence of certain diseases, according to scientific studies. - The steps it will take to encourage smoking with moderation. - The types of brand tests conducted with consumers. - Analysis of the communication alternatives for different groups (consumers, the media, retailers). <p><i>Stakeholders recommended inserting in cigarette packs a leaflet containing consumer information.</i></p> <ul style="list-style-type: none"> - Provision of all the available scientific information possessed by Souza Cruz, to counterattack that published by the media. - The organisation of lectures at universities on the risks of smoking. - The publication of methods on how to quit smoking. 	<p>Transparency</p> <ol style="list-style-type: none"> <i>1. Publication, on the Souza Cruz website (www.souzacruz.com.br), of the full list of ingredients added to tobacco and the smoke constituents of all the brands manufactured by the company, in a pioneer move for a cigarette company anywhere in the world.</i> <i>2. Development of the Free Campaign – Smoke with Moderation (1st stage); Smoke or Quit Smoking (2nd stage) and Free Line – How to Quit Smoking, in partnership with the Federal University of São Paulo (Unifesp).</i> <i>3. Between June 2002 and August 2003, Souza Cruz's Interaction Centre (Customer Service Centre) attended 13,610 consultations from consumers and customers about: cigarette ingredients and smoke constituents; how to quit smoking; the new health warnings; smoking with moderation; and the health risks of tobacco.</i>

	<p><i>4. The company created new links on its website to facilitate access to services that help smokers kick the habit, although personal motivation is acknowledged as the principal requirement for someone to stop smoking.</i></p> <p><i>5. Production of the bimonthly Diálogo newsletter for stakeholders. It contains information on Souza Cruz, its products and its market. It has a distribution of 3,000 copies.</i></p>
<p>Education</p> <p><i>1. Smokers feel unprotected and uncomfortable. Souza Cruz should find ways of defending the rights of smokers.</i></p> <p><i>2. The company needs to explore the issues of freedom of choice and tolerance.</i></p> <p><i>3. The company should develop an educational programme to make smokers aware of the rights of non-smokers.</i></p>	<p>Education</p> <p><i>1. Creation of the Smoking Point, an area reserved for smokers that is equipped with a cigarette smoke exhaust and filter system, at Rio de Janeiro's Antônio Carlos Jobim International Airport. Its purpose is to accommodate the interests of both smokers and non-smokers. More information on this programme is available on the website www.souzacruz.com.br.</i></p> <p><i>2. The company expanded the Living in Harmony programme at restaurants and hotels around the country. Nearly 1,600 establishments now participate in the programme, which aims to accommodate the interests of smokers and non-smokers. In 2002, 1,300 establishments were taking part; in 2001, around 900.</i></p>
<p>Corporate Information</p> <p><i>1. It is recommendable for Souza Cruz to communicate regularly with opinion-makers (including lawmakers and doctors) on topics of interest to the company, its products and the marketplace.</i></p>	<p>Corporate Information</p> <p><i>1. The company has developed a strategy to present its position on issues of interest to the company, its products and the marketplace to specific sectors of society. Between March 2002 and August 2003, some 100 different reports were sent to the stakeholders who participated in the cycles of dialogue.</i></p> <p><i>2. Sponsorship of the website Politics for Politicians, which contains daily summaries of political news and events for the benefit of stakeholders.</i></p> <p><i>3. Organisation, in the Souza Cruz Newsroom, a partnership with the website Comunique-se (www.comunique-se.com.br), of a chat service to discuss the Free brand/Smoke with Moderation campaign. A total of 60 journalists participated in the on-line chat.</i></p>

<p>Relationship with the health sector</p> <p><i>1. The company needs to maintain an ongoing dialogue with authorities in this sector, such as the National Cancer Institute (Inca) and the National Health Regulatory Agency (Anvisa), to present its position.</i></p>	<p>Relationship with the health sector</p> <p><i>1. The supply of scientific and technical information on cigarette ingredients, tar levels and other product specifications, among other things, to the National Health Regulatory Agency (Anvisa). Souza Cruz was the world's first tobacco company to list on its website official information about ingredients added to tobacco and the maximum quantities of each ingredient, as well as information on smoke constituents.</i></p> <p><i>2. All Souza Cruz's nearly 4,500 full-time employees and the 3,000 temporary workers (harvesting farm hands) benefited from the Smoking and Health programme to raise awareness about the health risks posed by smoking cigarettes.</i></p> <p><i>3. The company persevered in its attempt to establish a professional relationship with Inca. The institute was invited to participate in both dialogue cycles, although on both occasions it sent a letter justifying its absence by contending that it has objectives that are "diametrically opposed" to those of Souza Cruz.</i></p>
<p>Use of company resources</p> <p><i>1. The Research and Development Centre, cigarette factories, tobacco leaf processing units and distribution centres should be visited regularly by health sector authorities, journalists and lawmakers, among other leading personalities.</i></p> <p><i>2. Souza Cruz should sponsor folkloric events associated with its brands and products.</i></p>	<p>Use of company resources</p> <p><i>1. Twenty visits were made by representatives from NGOs and environmental organisations, lawmakers and journalists to Souza Cruz installations between August 2002 and August 2003.</i></p> <p><i>2. The current cigarette advertising restrictions prevent Souza Cruz from sponsoring folkloric events.</i></p>

4.2.2) YOUTH SMOKING PREVENTION

Respect for children and youth was another key concern underlined by stakeholders in the First Cycle of Dialogue; they said that Souza Cruz should give repeated demonstrations of its stand against underage smoking, and develop its own explicit actions to restrict the access of under 18s to cigarettes. Stakeholders also agreed that the company should continue to invest in educational programmes and they deemed it essential to educate retailers, so they may adopt a socially responsible attitude and stop selling cigarettes to under 18s.

The expectations raised concerning these fundamental questions and the subsequent actions implemented by the company in response are contained in the box below.

YOUTH SMOKING PREVENTION	
Stakeholder Expectations	Implemented Actions
<p>1. Souza Cruz should develop educational activities with under 18s, their parents and teachers. These activities should be implemented with the participation of schools and need to emphasise the importance of maturity when assuming risks. The main obstacle to be overcome in this area is the tobacco industry's low credibility</p> <p>2. The company needs to invest in activities to teach values to under 18s, again involving families and schools. The purpose is to enable youngsters to assess and decide whether to accept risk, such as the habit of smoking.</p> <p>3. Souza Cruz should develop creative ways of communicating with youngsters. The internet could be used as a communication channel, presenting information on the health risks of cigarettes, with comments from doctors.</p> <p>4. The company should conduct dialogue with young people, exploring topics such as violence, self-esteem, alcohol and cigarette consumption, political engagement, cultural participation and prospects in the job market. It is important to show adolescents that they are not yet ready to smoke at this stage in their life.</p> <p>5. The continuity of the Socially Responsible Retail programme is essential to educate vendors about their role in social responsibility</p> <p>6. Youth smoking prevention activities for under 18s should be made public.</p>	<p>1. The Souza Cruz Institute has developed the Care programme, which teaches values to under 18s and addresses the concept of risk with these youngsters. Underage smoking is one such risk. Implemented at 244 schools in 13 towns, in partnership with local government education departments, the programme involves some 95,000 students, 5,000 teachers and 77,000 parents (data from 2003).</p> <p>2. Organisation of the Care programme's 1st Seminar of Interlocutors, in July and August of 2002, by the Souza Cruz Institute. The event brought together parents, teachers and youngsters from public and private schools participating in the programme. Its purpose was to improve relations between these different groups and to foster values such as ethics, youth protagonism and the use of innovative teaching methods based on dialogue and the 'transversality of knowledge'.</p> <p>3. Conclusion of the 1st Stage of the Care Programme Assessment by the Latin American Centre for Studies on Health and Violence (Claves), part of the Oswaldo Cruz Foundation (Fiocruz). The report on the final stage, which emphasises the results achieved by the programme, is available for download in the Reports and Publications section of the Souza Cruz Institute website (www.institutosouzacruz.org.br).</p>

7. Souza Cruz needs to focus its advertising on the adult population, avoiding any kind of resource that could encourage youngsters to smoke.

8. The company should present its policy on youth smoking prevention programmes to lawmakers.

9. Souza Cruz also needs to present its policy on the issue to the media and stock market institutions.

4. Organisation of three national forums and eight regional forums on Socially Responsible Retail involving nearly 1,000 leaders of society, in partnership with Getúlio Vargas Foundation in São Paulo (FGV-SP). The purpose of the forums continues to be to raise awareness and prevail upon retail vendors to adopt socially responsible practices, such as not selling cigarettes to under 18s.

5. Development, in partnership with the Ethos Institute, of social responsibility indicators for bars and restaurants. The purpose is to provide retailers with a simple tool for implementing socially responsible practices.

6. Souza Cruz has presented its stand against underage smoking to lawmakers, health authorities, doctors, federations of industry, journalists, investors and the Ministries of Education and Justice.

4.2.3) TACKLING ILLICIT TRADE

The illicit trade in cigarettes and counterfeit were cited as being two key problems that need to be tackled not only by Souza Cruz, but also by the federal government and society as a whole. The black market is now responsible for almost a third of cigarette sales in Brazil, breeding organised crime, preventing the economy from strengthening given the evasion of taxes, and threatening the health of the population with products whose ingredients are not subject to inspection by the National Health Regulatory Agency (Anvisa).

The expectations raised concerning these fundamental questions and the subsequent actions implemented by the company in response are contained in the box below.

TACKLING ILLICIT TRADE	
Stakeholder Expectations	Implemented Actions
<p>1. The combat of the black market in cigarettes is the responsibility of both the federal government and Souza Cruz.</p> <p>2. It is necessary for Souza Cruz to stress that its cigarettes are produced and sold legally</p> <p>3. Souza Cruz should organise campaigns in partnership with the government and use communication channels to combat illicit trade.</p> <p>4. Nearly one third of the Brazilian cigarette market is dominated by illegal products. It is important to address the low price of these products, as it could encourage underage smoking.</p>	<p>1. Souza Cruz was, together with groups from other sectors, one of the founding members of the Brazilian Institute for Ethical Competition (Etco), a non-profit organisation set up to tackle the problem of tax evasion, counterfeiting and smuggling in the cigarette, beer, soft-drinks and fuel sectors.</p> <p>2. Realisation of the seminar entitled <i>Illicit Trade: Implications and Alternatives</i>, organised by Brazil's Workers' Party with the support of Etco, in Brasília. During this event, the National System for Combating Illegality and the Defence of Ethics in Competition was created and the Declaration of Brasília was ratified. Among other things, this document transforms Brazil's municipalities into 'priority inspection agents' and proposes an advertising campaign illustrating the association between illicit trade and organised crime.</p> <p>3. Organisation of the seminar entitled <i>The Role of Municipalities in Tackling Illicit Trade</i>, in the headquarters of the Rio Grande do Sul Federation of Industry (Fiergs), in July 2003.</p> <p>4. Creation of an interministerial group to oversee actions to counter illicit trade, formed by the Chief of Staff's Office and the Ministries of Labour and Employment; Finance; Development, Foreign Trade and Industry; and Justice. Its job will be to establish an intelligence service and lend support to congressional investigations on illicit trade and organised crime, for example.</p>

5. Creation of a thematic group in the National Confederation of Industry (CNI).

6. Creation of a Special Counter-Smuggling Unit of the Police and a Police Hotline in Rio de Janeiro, and also specialised units within State Finance Departments, State Public Prosecutor's Offices, State Public Security Departments and the Federal Revenue Services of the states of São Paulo, Rio Grande do Sul, Minas Gerais, Goiás and Santa Catarina.

7. Sponsorship and participation in national seminars on the topic of illicit trade that were organised by the newspapers Valor Econômico and Jornal do Brasil.

8. Daily media checks by the company and distribution to stakeholders of all reports published in the press between January and August of 2003, during which time 213 articles were published on the topic; in September, the Globo television's Jornal Nacional daily news programme aired a 15 minute report illustrating the negative impact of counterfeit and smuggling on the government, companies and society

9. Publication of special supplements in the newspapers O Globo and Jornal do Brasil (Rio de Janeiro), Valor Econômico and Diário de S.Paulo (São Paulo), Jornal do Commercio (Pernambuco) and Zero Hora (Rio Grande do Sul) and in the magazines Exame, IstoÉ, IstoÉ Dinheiro and Carta Capital.

4.2.4) RESPONSIBLE CORPORATE CONDUCT

To continually emphasise its ethical and socially responsible conduct and keep on investing in educational and scientific programmes. This was another of the actions that stakeholders deemed necessary in the first cycle of dialogue. And in this section lies the only disagreement that arose between the company and its stakeholders: financing for public health programmes. As far as Souza Cruz is concerned, medical treatment for smokers is the responsibility of the State. Taxes levied by the government should be employed to cover the costs of this service, just as Brazil's 1988 Federal Constitution states. It is worth noting here that the company is one of the biggest taxpayers in Brazil.

The expectations raised concerning these fundamental questions and the subsequent actions implemented by the company in response are contained in the box below.

RESPONSIBLE CORPORATE CONDUCT	
Stakeholder Expectations	Implemented Actions
<p>1. Souza Cruz should continue to invest in education as the focus of its social activities. It also needs to publicise these activities more widely to strengthen its institutional image.</p> <p>2. The company should invest in health, sealing partnerships with public authorities. Some of the steps that could be taken are: investments in hospitals, first aid clinics and public health centres, supplying equipment and other necessities that the government is often incapable of providing; donation of funds to poorer municipal governments.</p> <p>3. The company should develop partnerships with the scientific community</p> <p>4. It should create a communication programme to present all its socially responsible, environmental and cultural activities.</p>	<p>1. The Souza Cruz Institute has consolidated its methodologies and its education programmes through partnerships with organisations that are qualified and respected in their area. The Care programme, for example, has been evaluated from the start by the Latin American Centre for Studies on Health and Violence (Claves), of the Oswaldo Cruz Foundation. The company has also introduced a strategic communication plan to better expose its social activities.</p> <p>2. The company created its own Social Responsibility Committee, comprised of two members of the Board of Directors, two external representatives from important social sectors and two Souza Cruz executives. The purpose of this committee is to advise the company management on corporate social responsibility issues (read more in the section A Group Committed to Progress).</p> <p>3. The company is analysing proposals for partnerships with the scientific community</p> <p>4. In addition to these actions, other developments were: the expansion of the Souza Cruz Institute programme The Future is Now!, aimed at eliminating child labour from tobacco leaf farming, to embrace all Souza Cruz's 45,000 contracted farmers; Souza Cruz Institute support for five Rural Youth Development Centres (Cedejor), which help develop the entrepreneurial skills of local farmers' children between the age of 16 and 24; the publication of the book The Way to School – 10 Years Fighting to Eliminate Child Labour in Brazil in São Paulo, Curitiba, Florianópolis and Porto Alegre.</p>

4 - RECENT DEVELOPMENTS

4.3 - DIALOGUE REPERCUSSIONS

Specialists talk about the importance of the Souza Cruz report for the corporate social responsibility landscape in Brazil.

In 2002, when it published its first corporate social report, Souza Cruz endeavoured to ensure that the AA1000 standard was well understood, actively participating in its promotion. The company presented its experiences in seven cities (Belo Horizonte, Curitiba, São Paulo, Florianópolis, Porto Alegre, Rio de Janeiro and Salvador) together with the Dom Cabral Foundation, the Sesi social responsibility in industry group and state-level federations of industry. "This was a great leap forward for the promotion of the standard, which was still only beginning at the time," said Beat Grüninger, manager of Business & Social Development, a social responsibility management company and member of the Institute of Social and Ethical Accountability (Isea).

"The pioneer initiative of Souza Cruz will contribute to the promotion of the AA1000 standard in Brazil, driving forward the process for the future standardisation of social reporting by organisations in our country," said Vera Maria Rodrigues Ponte, PhD in Accounting Sciences from the University of São Paulo (USP) and an MBA professor at the University of Fortaleza.

In 2002, Ponte submitted a paper on the topic entitled The Quest for Quality in Social Responsibility and Ethics and in Publishing and Auditing Social Reports: The AA1000 Structure and Souza Cruz. The document was presented at the Meeting of the National Association of Postgraduate Programmes and Administration Research. According to her, the AA1000 standard is considered by government bodies, NGOs and multinational companies to be the most appropriate means of demonstrating social responsibility to stakeholders. "The AA1000 is intended to support the organisational learning and the general performance – social and ethical, environmental and economic – and, subsequently, help companies find a path towards sustainable development," she explained.

Anne Louette, executive from the Social Action Unit (NAS) of the São Paulo Federation of Industry (Fiesp), considers the work of Souza Cruz to be visionary, audacious and pioneer. She explains that although everybody talks about AA1000, it is seldom put into practice. In 2003, Louette supervised the survey Corporate Social Responsibility: Panorama and Perspectives in São Paulo Industry, sponsored by Souza Cruz and by cosmetics firm Natura. According to her, the seriousness and the importance of the work conducted by Souza Cruz reveals that social responsibility and sustainability is more than just a passing fashion.

For Sílvia do Valle Pereira, head of social consulting at Sesi in the state of Santa Catarina, by adopting this standard, Souza Cruz has embedded the principles of social responsibility into its management and, at the same time, embarked on an innovative process in the business world: dialogue with its stakeholders. "For sure, it's not an easy decision for a company to take, particularly for company from Souza Cruz's industry," she explained, adding that this is precisely what has attracted so much attention: the risk taken by the company by engaging in dialogue with its stakeholders, knowing full well that it will be challenged on several fronts, including the very activity it is developing. "The company has a pioneer attitude and a strategic vision that social responsibility and sustainability are parallel and complementary processes, which should not be restricted to the internal environment (this being the importance of AA1000)," said Pereira.

Another issue raised by Pereira that deserves attention is the social reporting process itself. "It represents much more than a report of the company's investments and social and environmental actions. It also gives a step-by-step account of the strategic management of the company's relationships, an analysis of the risks and opportunities, and a detailed description of the process of communicating with stakeholders," she said.

Cláudio Boechat, professor at the Dom Cabral Foundation, from Belo Horizonte, sees this demonstration of the company's good intentions as a positive step, although he claims the report lacks arguments and statistics on the consequences of smoking. "The report skirts round this issue. The AA1000 stresses the importance of providing information about both the positive and the negative aspects of products. It's not enough just to point out the good aspects, particularly when the main challenges of society refer to the malignance of the product," he said. "On account of this, the quality of the report is compromised, as it is an exercise in voluntary transparency," claimed Boechat. "If the company does not change regarding the more critical aspects of its activities, it will lose credibility, and face the obvious consequences to its business".

Since the publication of the last report, Souza Cruz has been carrying out several actions specifically designed to broaden the discussion on its products. In August 2003, it released on its website a list of cigarette ingredients and smoke constituents, a pioneer move for a cigarette company in Brazil, or anywhere else in the world.

According to Beat Grüniger, the Souza Cruz Social Report represents enormous progress. "The AA1000 standard has been well understood and has lent depth to its content. It is not merely a description of social projects and social instruments," he said. "The dialogue has been put to good use and the report itself is self-critical. It could serve as a model for others in the preparation and management of the process".

4 - RECENT DEVELOPMENTS

4.4 - SOCIAL RESPONSIBILITY COMMITTEE

A GROUP COMMITTED TO PROGRESS

In response to the first Cycle of Dialogue with its stakeholders, Souza Cruz has established an in-house Social Responsibility Committee.

Composed of external representatives from important social sectors, Souza Cruz executives and members of its Board of Directors, the job of the committee is to advise company management on issues related to corporate social responsibility. The members are:

Luiz Felipe Palmeira Lampreia

A career diplomat from 1963 to 1998, he was Foreign Affairs Minister from 1995 to 2001. He is a member of the Souza Cruz Board of Directors and president of the International Relations Council of the Rio de Janeiro State Federation of Industry (Firjan). He is the committee's chairman.

Maria Silvia Bastos Marques

A graduate in public administration from the Getúlio Vargas Foundation in Rio de Janeiro, she also has an MA and a PhD in Economics. She has been president of steelmaker Companhia Siderúrgica Nacional and finance secretary for the Rio de Janeiro city council. She is a member of the Souza Cruz Board of Directors and a partner in the consulting firm MS & CR2 Finanças Corporativas.

Sidnei Basile

A journalist, he was general director of the Gazeta Mercantil newspaper and, until January 2004, he was director of the business section of the Exame media group. He is now responsible for the Editorial and Corporate Relations Department of publisher Editora Abril.

Carlos Ivan Simonsen Leal

President of the Getúlio Vargas Foundation, he has a PhD in Economics from Princeton University.

Nicandro Durante

President of Souza Cruz.

Constantino L. N. Mendonça

Corporate Affairs Officer at Souza Cruz.

José Roberto Cosmo

Planning and Strategy Manager of the Board of Corporate Affairs at Souza Cruz, and the committee's secretary.

5 - THE NEW DIALOGUE

5.1 - NEW DIALOGUE CYCLE STRENGTHENS TIES

The Second Cycle of Dialogue with stakeholders, conducted in September and October of 2003, advanced the discussion on primary topics for the tobacco industry, consumers, government and society.

"The dialogue is ongoing (...). The guests are free to ask whatever they like and clear up any doubts they might have."

Ambassador Carlos Alberto Leite Barbosa, moderator of the dialogue between Souza Cruz and its stakeholders



Two years ago, Souza Cruz and British American Tobacco (BAT) made their mark in cigarette industry history. For the first time, a company from the sector published a social report that was in full accordance with international AccountAbility (AA1000) rules, which establish rigorous standards of social responsibility and business ethics. In order to gather information and map out its latest business strategy, Souza Cruz engaged in broad-based dialogue with its different stakeholder groups (see the results of the First Cycle of Dialogue in the section A Commitment to Society and Social Responsibility).

The Second Cycle of Dialogue, conducted in September and October of 2003, employed the experience of the previous cycle to extend the scope of discussions with four stakeholder groups, formed by lawmakers, educators, doctors, health professionals and representatives from NGOs, sector associations, councils and institutes. Each group met with company executives and engaged in dialogue during which participants were encouraged to directly and openly express their expectations, make criticisms and suggestions, and listen to clarifications about the company's policies. The dialogue sessions conducted during the Second Cycle were moderated by Ambassador Carlos Alberto Leite Barbosa, who was also the moderator two years previously, during the First Cycle. Aside from the group sessions, individual dialogue was also held with lawmakers and health professionals.

*The discussion topics for the Second Cycle were chosen based on an opinion poll conducted by Indicator-GFK in May of 2003. The topics that were initially selected by the poll and addressed during the dialogue sessions were: **Health Risks and Consumer Information** and **Youth Smoking Prevention**. Discussions on the topics of **Tackling Illicit Trade**, **Responsible Corporate Conduct**, **Tobacco and the Environment** and **Tobacco Regulation** emerged during the stakeholder dialogue sessions themselves.*

The actions implemented by Souza Cruz in response to the First Cycle of Dialogue raised the expectations of the stakeholders participating in the Second Cycle. This was to be expected. Solutions to existing problems generally raise fresh demands. Although they acknowledged that the company's actions represent real progress from previous policies and that many of them represent new landmarks in social responsibility, stakeholders said they believed the company could do more than it has so far. The steps that have been taken appear to have prompted stakeholders to expect the progress to continue.

After various sessions of direct, critical and, above all, constructive dialogue, the Second Cycle reinforced the assertion that this communication should continue to be valued and streamlined by Souza Cruz. Detailed information on the Second Cycle of Dialogue, the expectations expressed by stakeholders against the company, the responses to them and the actions that are to be implemented is provided in the following sections of this report.

5 - THE NEW DIALOGUE

5.2 - HEALTH RISKS AND CONSUMER INFORMATION

Make further clarifications for smokers and society about the relationship between smoking and health, providing more than just the information required by law, and encourage people to smoke with moderation. This was the recommendation of this working group

"I was present when Souza Cruz first opened its research centre, 20 years ago. It was an unprecedented and very courageous move at the time. This Social Report renews the discussion of these topics, seeking contact with society, exposing the issues that involve the tobacco industry, such as counterfeit. Increasingly so, the only way forward is to participate in these dialogues"

A retail representative who attended the Second Cycle

"The smoking points project respects smokers and non-smokers alike. There are a number of laws protecting non-smokers, but what laws are there defending the rights of people who smoke? Smokers are treated contemptuously just because they smoke, they are made to feel uncomfortable and even assaulted by certain anti-tobacco actions. Consequently, these citizens are deprived of their rights, precisely at a time when we are hearing so much about citizenship"

An NGO representative who attended the Second Cycle



*The first group of stakeholders who participated in the Second Cycle discussed the topic **Health Risks and Consumer Information**. The fact that Souza Cruz is part of what is seen to be a controversial industry often leads people to assume that it is in the company's interest to conceal information from its consumers. This apparent paradox was the premise for the dialogue. As a result, some of the principal stakeholder demands expressed during the session were: transparency of goals, a commitment to social activities, greater access by consumers and authorities to information on the health risks posed by smoking, the organisation of campaigns to encourage smoking with moderation and the defence of the rights of smokers. The participants were leaders of NGOs and business associations, educators, journalists and Souza Cruz executives.*

While stakeholders said they expected the company to conduct its business honestly and openly, they emphasised that Souza Cruz sells a legal product and should, therefore, help eliminate the social stigma currently attached to smoking. They say the company should inform consumers about the half yearly examinations to which its products are submitted, the efforts taken by the company to make reduced-risk cigarettes and its initiatives to devise methods of helping people quit smoking – the latter carried out together with organisations with the credibility to publish such information.

The subject of moderation was also thoroughly discussed. As far as the participants in the dialogue were concerned, society should understand the need for moderation in all decisions – such as smoking with moderation, exercising with moderation or drinking with moderation. The Free brand's campaign Free – Smoke with Moderation was cited as an example that could be used with other brands (read more on this topic at the address www.souzacruz.com.br). "There

are things in life that you can do in excess, such as relaxing, creating, having fun, and there are things in life that you can do in moderation. One of these is smoking, although the only sure way to avoid the risks of smoking is not to smoke". This was the message conveyed in the first stage of the Free campaign, which had a sizeable impact on the public.

While many consumers have said they were genuinely surprised by the sensitive way the campaign counselled smokers, particularly the candour on the health risks posed by cigarettes, some of the representatives from business organizations attending the dialogue likened the campaign to "shooting yourself in the foot". To these stakeholders, it was necessary to illustrate that the apparent business irresponsibility was, in fact, a bold way of emphasising Souza Cruz's commitment to the principles of social responsibility that it preaches – and practices.

The rights of smokers were also addressed. Some suggested that Souza Cruz develop legal studies on the warning images that manufacturers are legally required to print in cigarette packs, which many of the company's stakeholders considered to be exaggerated as they cause embarrassment for parents who smoke in front of their children. Generally speaking, it was agreed that smokers have been increasingly discriminated against socially. Initiatives such as the smoking points (areas reserved for smokers) were deemed to be positive steps forward, as they help foster tolerance between smokers and non-smokers.

One of the teachers present defined as "demonising" what is being done today with the image of cigarettes and smokers, and he contended that exaggerated political correctness is a threat to democracy itself. "We need to stand up for the rights of smokers," he said.

The stakeholders also agreed that Souza Cruz's image suffers from the negative advertising against cigarettes, either by government campaigns or media reports, which reduce the impact of the company's positive social actions. They suggested that the company develop a segmented communication policy, particularly with universities, in order to make its views clear on smoking and health and on underage smoking. They said Souza Cruz should do more to publicise its social programmes and ethical values – particularly the treatment afforded its staff and the anticorruption practices it adopts.

Some also urged Souza Cruz to alter its policy not to openly support candidates running for public office, something that was quickly rejected by the company executives attending the dialogue; they pointed out that the policy is one of the pillars of its Code of Ethics and that the company is an Organisation for Economic Co-operation and Development (OECD) signatory, having signed its commitment to neutrality in political campaigns.

Read about the plans and projects developed as a result of the debates in the Future Developments chapter of this Social Report

Principal stakeholder expectations on this topic expressed in the Second Cycle:

1. Although it is widely known, SOUZA CRUZ should continue to increase the amount of consumer information it releases, beyond that required by law, to clarify consumer doubts on smoking and health.

- 2. Inform consumers of the results of its half yearly cigarette examinations and its efforts to develop reduced-risk cigarettes.*
- 3. Inform society of methods to quit smoking, together with organisations with the credibility to publish this information.*
- 4. Address the subject of moderation. Society should understand the need to smoke with moderation, just as moderation is necessary in numerous other activities and habits.*
- 5. Work together with the medical community on the subject of moderation and prevail on this community to adopt a more balanced attitude towards smokers.*
- 6. Prepare studies on its strategy to reduce health risks, together with Brazilian universities.*
- 7. Develop ways of working in partnership with prevention centres, in order to change people's preconceptions of the company*
- 8. Analyse the possibility of forming partnerships with universities to train community health agents who work in prevention centres in underprivileged communities.*
- 9. Question with clarity the methods of researching the relationship between tobacco and certain diseases, which are based on the American model of analysis.*
- 10. Conduct comparative investigations into the statistics on smoking and health in different countries, with the intention of establishing an international standard.*
- 11. Prepare legal and communication studies on the warning images that manufacturers are legally required to print on cigarette packs, and which have caused embarrassment for parents with their children. These studies should also assess the degree of acceptance these images have with retailers.*
- 12. Continue to develop smoking points (areas reserved for smokers). The message of this initiative should emphasise that the rights of both smokers and non-smokers are being respected.*
- 13. Undertake actions to defend the rights of smokers, taking into account the growing discrimination against them.*
- 14. Develop a segmented communication policy with specific sectors, particularly universities, in order to make the company's view clear on smoking and health and on underage smoking.*
- 15. Communicate its ethical values with its various external stakeholder groups, emphasising the treatment of its staff and the anticorruption practices it adopts.*
- 16. Clearly proclaim its role as an agent of social responsibility in Brazil, publicising its social programmes – both internal and external.*

17. Release more information on its contribution to economic and social development, with special emphasis on agriculture.

18. Open the doors of its laboratories, factories, tobacco leaf processing plants and Integrated Distribution Centres (CIDs) to government and health officials, doctors, lawmakers and journalists.

19. Submit updated information on its business and operations to lawmakers.

20. Review the policy of not openly supporting candidates running for public office.

5 - THE NEW DIALOGUE

5.3 - UNDERAGE SMOKING

The company should build on its educational programmes for youngsters, make its stand against underage smoking more visible and continue its Socially Responsible Retail programme, which prevails upon retailers not to sell cigarettes to under 18s

"The youth from public schools, in other words the vast majority of youngsters, has practically no access to computers or the internet, and neither do their family. The strategy to inform them about tobacco, alcohol, drugs and even sexual violence has got to be different to the strategy for children born into wealthier families. Souza Cruz ought to associate itself with public policy so that youngsters from the official schooling network can also access this information."

An educator who attended the Second Cycle of Dialogue



One of the most dominant themes from the First Cycle of Dialogue, underage smoking, returned to the forefront in the Second Cycle, resulting in intense but constructive discussion with stakeholders. The participants in this dialogue session were educators and leaders of NGOs, in addition to Souza Cruz executives. This degree of engagement did not occur by accident. The issue puts to the test, like few others, the transparency and social responsibility policies of a company like Souza Cruz, challenging the superficial claims that the company's only interest is to sell cigarettes indiscriminately to smokers of any age. However, contrary to what some people may believe, cautioning under 18s about the unsuitableness of underage smoking is consistent with the company's ethical and programmatic principles.

There can be no margin for doubt on this topic: Souza Cruz is against underage smoking. In its Letter of Business Principles, the company makes it clear that it supports the right of adults to smoke – as the result of a conscious decision, taken with full knowledge of the health risks involved. It is against underage smoking not only on health grounds, but primarily on the grounds of responsibility, as it deems that under 18s do not have the maturity to make certain choices.

Given the naturally rebellious nature of youngsters who are searching to find their identity, and who consider the advice of adults as an attempt to undermine their freedom, young people are easily influenced and can put themselves in risk situations: drug and alcohol abuse, antisocial behaviour and underage smoking. Among the less privileged classes, this fact is more clearly visible. This reality illustrates the direct relation between the lack of schooling and contact with risk situations. However, studies show that saying no to youngsters is the surest way of losing their confidence. This is why preventative measures must always be affirmative, valuing self-esteem and self-confidence, never coercive.



The participants in the Second Cycle applauded the actions and projects of the company and the Souza Cruz Institute that are conducted with this public, such as the Care programme and the Socially Responsible Retail programme. Both focus not only on youngsters but also the world around them: family, school and even retail.

The Care programme aims to teach values to youngsters, encouraging social participation and youth protagonism, as well as valuing ethics. The idea is to help youngsters understand that a better world for everyone is also a better world for them, that you cannot have one without the other and that their engagement in this process can make a difference. The Socially Responsible Retail programme, for example, aims to disseminate ethical principals among retailers, such as not selling cigarettes to under 18s. Approval for these actions does not mean, however, that they are perfect. As far as the stakeholders were concerned, the Care programme needs to be given more exposure and its range of activities could be broadened. One of the participants attending the Second Cycle suggested that this could be achieved through a more effective presence of Souza Cruz at schools and universities, organising lectures and holding discussions with students, parents and teachers. "Many youngsters are still surprised when they hear the company's stance against underage smoking, which would suggest that this policy needs to be exposed better," he said.

Another expectation expressed by stakeholders was encouragement for rural youth to stay in the countryside, as a way of stopping cities from swelling and reducing the marginalization of those of us lacking the opportunity to continue studying. Company executives attending the dialogue explained that the Souza Cruz Institute supports the Rural Youth Development Centre (Cedejor), which works towards shaping young rural businessmen in three towns in Rio Grande do Sul and one in Santa Catarina.

Read about the plans and projects developed as a result of the debates in the Future Developments chapter of this Social Report

Principal stakeholder expectations on this topic expressed in the Second Cycle:

- 1. SOUZA CRUZ should continue to develop educational activities with under 18s, their parents and their teachers. These projects should be organised through schools and need to emphasise the importance of maturity when it comes to taking on risks.*
- 2. Expand the Care programme and give it more exposure.*
- 3. Concentrate its efforts in rural youth development in order to keep these young people in the countryside.*
- 4. Keep working with the Socially Responsible Retail programme for the purpose of raising awareness among retailers on social responsibility, such as not selling tobacco products to under 18s.*



5.3.1) INDICATOR-GFK OPINION POLL

The majority of Souza Cruz stakeholders said they believe that the company has provided smokers with sufficient information on the risks of smoking. This opinion is illustrated in the poll conducted by the market research institute Indicator-GFK.

Regardless of its pioneer decision to disclose cigarette ingredients and smoke constituents on its website, Souza Cruz should continue to release more information on its products for consumers.

More results of the Indicator-GFK poll can be found in the different sections that comprise The New Dialogue between Souza Cruz and its stakeholders. Information on the methodology and other details of the poll can be found in the text Poll Exposes Stakeholder Opinions and Expectations

5.3.2) CARE YOUTH PROTAGONISM AT SCHOOL

Based on the principles of education for values and involving teachers, parents and students from Brazil's public school system, the Care programme inspires attitude changes among adolescents



The Care Programme


The Care programme emerged from the demand for educational activities that examine the relationship between youngsters and cigarettes, alcohol and other risk situations. Instead of preventative campaigns, the programme adopted a broader educational approach, focusing on values and youth protagonism. The objective was, in the words of the educator Antonio Carlos Gomes da Costa, "to endow new generations with sound judgement for evaluating situations and taking decisions based on them". In the schools where Care has been introduced, the teachers involved in the programme have noticed some significant changes. "Care has given our students the awareness that they have a lot of power, and a lot of responsibilities too," said Maria Agarista Matos, local education secretary in Orós, in the state of Ceará.

The programme is a Souza Cruz Institute initiative that was implemented in partnership with Municipal Education Departments from different parts of the country. In 2003, Care was functioning at 244 schools in 13 towns, involving 94,678 students, 4,806 teachers and 77,897 parents. Aimed at students from the 5th to 8th grade of Elementary School and the first two years of High School, the teaching method developed by the programme combines class discussion of so-called 'transversal topics' – ethics, environment and sexuality, among others – with extracurricular activities. "We incorporate actions that oblige the students to behave as protagonists," explained Regina Lúcia Ribeiro Tavares, a teacher who supervised the Care programme in 2003.

According to Tavares, although the programme works with long term results, there have also been many short term successes. "The students pay more attention to the topics discussed and we have noticed that they are organising their own theatre groups, for example," she said. In the Frederico Assmann municipal school in Santa Cruz do Sul (Rio Grande do Sul), which has been employing the Care programme since 2002, a new topic is addressed each month and the students air their own radio shows on an internal broadcasting station. "There were some youngsters who never wanted to participate in anything that have now discovered their talent. Nowadays we can see the students developing in the areas they like," said Rutiléia Kessler, the school's headmistress.

The adolescents are not the only ones to benefit from the programme, which also engages teachers, pedagogic supervisors and parents. "After implementing Care, there was a considerable improvement in the relationship between students and teachers and between the schools and the families," said Cristina Gabriela Pereira, education secretary for Pará de Minas, in the state of Minas Gerais. One of the projects developed by Care in the town was the adult literacy workshop at the Ademar de Melo State School, which prompted the publication of the book Writing My Story, launched in 2003. "The text was written by the group's nine women, nearly all of whom were mothers or grandmothers of the students," explained Idelvais Ferreira, a teacher who worked as a volunteer at the workshop and who supervised the book's publication.

Since it was first introduced, at the end of 1999, the Care programme has been



evaluated by the Latin American Centre for Studies on Health and Violence (Claves), part of the Oswaldo Cruz Foundation. The latest evaluation was completed in April 2003. "We noticed that, at the schools that were most involved, the educators' view of their students improved greatly. At these school, we also observed an increase in the self-esteem, self-knowledge and self-determination of the youngsters," said Cecília Minayo, scientific supervisor at Claves. "These points are sufficient evidence of the importance of education for values."

5.3.3) SOCIALLY RESPONSIBLE RETAIL

FOCUS ON SMALL RETAILERS

Since 2000, the Socially Responsible Retail programme has contributed to raising awareness among businessmen from areas such as the bakery sector about the importance of their social role

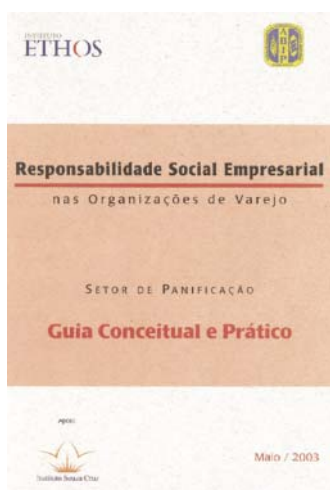
"We were carrying out act of social responsibility and didn't even realize it. With the support of the Souza Cruz Institute, I had the criteria to gauge and develop what was already our company's approach," said Minas Gerais state businessmen Tarcísio José Moreira, a partner of the Forno D'Oro bakeries, in Belo Horizonte and HR director for the Brazilian Association of Bakeries (Abip). The support he is referring to is the Socially Responsible Retail programme, created in 2000 to disseminate the culture of social responsibility to businessmen from areas such as the bakery, supermarket and bar and restaurant sectors. It is a programme that promotes actions to raise consciousness, educate and value exemplary practices, with a focus on small retailers.

In Tarcísio Moreira's case, the Socially Responsible Retail programme has helped him improve the Forno D'Oro's existing activities and develop new initiatives. His business, consisting of two bakeries and 34 employees, now has a career and salary plan and it spends 1.5% of its income on training. Its concern for its staff also extends to the community: it has partnerships with NGOs and social programmes for supplying bread and for professional training of youngsters. Moreira has also introduced selective waste collection, benefiting the local people who make a living collecting recyclable material and also reducing costs for the bakery


In order to raise awareness among small retailers about the importance of their social role, the first step of Socially Responsible Retail was to organise the Brazilian Forum on Trends and Social Responsibility in Retail, in 2000, in partnership with São Paulo's Getúlio Vargas Foundation. This event, which was attended by representatives of federations and associations from several retail sectors, defined the principles of social responsibility in retail, such as not to sell alcoholic drinks or cigarettes to under 18s, to facilitate and promote community actions and to adopt a policy of ethical conduct. There have since been two other forums with the same national coverage and several regional forums.

One of the programme's initiatives involved the bakery and bars and restaurants sectors. The Souza Cruz Institute sealed partnerships with the Brazilian Association of Bakeries (Abip) and the Brazilian Association of Bars, Restaurants and Entertainment Companies (Abrasel) in a pioneer project: to establish a set social responsibility indicators for each of these sectors, with the support of the Ethos Social Responsibility Institute. These indicators, adapted from standards already employed by the Ethos Institute, were used to make an assessment of the nearly 600 Abip and Abrasel associated companies. "The underlying objective was not to prepare a statistical validation study of the companies' actions, but rather to unleash an educative process. This goal was fully achieved," explained Homero Santos, professor and director of Fractal Renovação Empresarial, and also the coordinator of the assessment.

The process was completed in the first half of 2003. Each participant received a



Brazilian Forum on Trends and Social Responsibility in Retail



report with the indicators of their company and the indicators of the sector as a whole, so they could identify their strengths and the areas that required more attention. "It was an awakening. We were able to spot the possibilities for actions we could develop within our business, instead of waiting for external actions," said Paulo Roberto Hans, a member of Abrasel board and owner of Multiplus Restaurante in Campo Grande, in the state of Mato Grosso do Sul. For Abip, the assessment prompted the development of several new initiatives by associated companies and even influenced the latest Brazilian Bakery Industry Congress (Congrepan), which took place in September 2003. In the Magna Carta from the Congress, the document containing the guidelines for the sector, the first item refers to the adoption of a socially responsible approach. "Beforehand, many people confused social responsibility with charity. Now there is a much broader understanding and the subject is treated with respect in the sector," said Giovani Assis Mendonça, adviser to the presidency of Abip.

5.3.4) CEDEJOR

A NEW ROLE FOR RURAL YOUNGSTERS

Thanks to Cedejor, young people in southern Brazil are becoming change agents in their communities

The Rural Youth Development Centre (Cedejor) very quickly changed the life of 25-year-old farmer Dirceu Batista Weber. In 2001, when the programme was first introduced in the Rio Grande do Sul state municipality of Santa Cruz do Sul, Dirceu Weber was the first to enrol. He had left school in the 7th grade and was helping his parents farm tobacco leaf. As a result of the experience acquired at Cedejor, he took over the running of the farm after just two years and diversified production, adopted more ecological planting techniques and started to raise bees. He also improved the farm management, starting to control the cash flow and costs of each culture. The transformation was also apparent outside of work. "Cedejor helped me overcome my shyness and raised my self-esteem," he said.

Stories like Dirceu Weber's are common among the participants in Cedejor, a project supported by the Souza Cruz Institute since its creation in July of 2001. Established by a joint effort by several rural youth organisations and coordinated by the Institute, Cedejor is an NGO that applies the theory of youth protagonism to educate rural youngsters in entrepreneurship and sustainable development. There are three Cedejor units operating in the state of Rio Grande do Sul – in São Martinho (in Santa Cruz do Sul) Albardão and Casa Jesus Maria José (both in Rio Pardo) – and one in the state of Santa Catarina, in the town of Lauro Müller. The programme is now taught to 116 youngsters and provides humanistic, technical and managerial training. "By concentrating on these three areas, we can offer tools to help the youngsters contribute to the socio-economic development of the region, valuing and incorporating the potential of their community," explained Jovani A. Puntel, supervisor of the Casa Jesus Maria José unit.

To enrol in the Cedejor training programme, youngsters must be between 15 and 24 years old and be children of local farmers. The course lasts three years and employs 'alternation education', a system developed in France. Each month, the youngsters spend three weeks on their parent's farms and one week at the Cedejor centre. "At each new meeting, the youngsters seem different. This is more than just technical training. What I've seen at Cedejor is a sweeping transformation of the participants," said Manoel Mendes, a Political Science, Philosophy and Ethics professor at the University of Santa Catarina (Unesc) who participated, as a guest, in the activities organised at the Cedejor centre in Lauro Müller. "Cedejor has brought new life to the youngsters, their parents and to the rural community as a whole," explained Fabrício Kusmin Alves, Lauro Müller deputy mayor.

The first assessment of the programme was conducted at the end of 2002, when questionnaires were distributed to the participants, their families and their schools. The purpose was to determine whether the way in which Cedejor was being run would enable it to meet all the established goals. "The responses of the youngsters, their parents and the schools converged. The principle indicators were in line with the programme's objectives," explained Liliane da Costa Reis, the consultant who coordinated the assessment. The results of Cedejor can also be seen in a series of initiatives adopted by the participants on their parent's farms and in their relationship with their community. "Cedejor youngsters are



CEDEJOR's members

becoming change agents," said Eriton da Silva Rocha, supervisor of the Cedejor centre in Albardão.

At family farms, many of the Cedejor participants have prevailed over the resistance their parents and have successfully modernised farming techniques and adopted practices that are less environmentally damaging, a common concern at Cedejor. "I managed to cut the use of agrochemicals on our farm by nearly 80%," said 19-year-old Anderson da Rosa, from the Cedejor unit in Lauro Müller. Other successful initiatives are the result of collective efforts. At the Cedejor units in Casa Jesus Maria José and São Martinho, cooperatives are starting to be formed to produce organic vegetables. In Albardão, the participants have built a greenhouse for everyone to apply what they have learned about growing flowers and vegetables. Given its educational purpose, it has been named the Greenhouse of Knowledge.

Many of the projects developed as a result of the experience acquired at Cedejor also involve political and civil participation. Some youngsters have developed social projects in their communities, such as free computer courses or assistance for underprivileged children. In Lauro Müller, two of the town's six members of the Zero Hunger Committee also participate in Cedejor. At Albardão, a group of youngsters set up the Waste in the Waste Bin project, which organised awareness raising campaigns and eventually managed to persuade the Rio Pardo municipal council to establish, for the first time ever, refuse collection in the town's rural areas. "These small contributions to municipal public policy are among the best indicators of the programme's success," judged José Yvan da Costa Junior, the Cedejor supervisor in Lauro Müller.

5 - THE NEW DIALOGUE

5.4 - TACKLING ILLICIT TRADE

The need to firmly tackle the illicit cigarette trade, which harms the tobacco industry, the government, society in general, and primarily the health of consumers, was unanimously upheld by this group of participants

"If cigarettes produced by an organised company pose health risks, just imagine the risks of illicit cigarettes. The problem is that five or ten years from now, this generation of counterfeit brand smokers will have health complaints and it'll be the organised company that will have to pay the price for damage caused by illicit cigarettes, not the illegal producers."

A lawmaker who attended the dialogue



The informal and illicit market is one of the factors hampering the growth of Brazil's legitimate industry – which honours all its obligations, pays taxes, respects the rights of others and does not sell adulterated products. A calculation of the amount of money diverted by the illicit trade gives us a good idea of the huge losses to all those involved with the legitimate market: government, companies, consumers and society as a whole.

Illicit trade in Brazil accounts for a third of cigarette sales. In numbers, this represents lost tax revenues of around 1.4 billion reais per year, that could otherwise be used to build 50,000 nurseries or 280,000 classrooms.

Many of the 360 or so illegal brands sold in Brazil, the majority smuggled in from Paraguay and Uruguay, contain foreign bodies such as plastic, insect parts, sand and tobacco flies. Nearly 70% of them do not have tar and nicotine levels printed on the packs and 92% do not display information on carbon monoxide levels, according to the Brazilian Institute for Ethical Competition (Etco). We also know that approximately 1.8 billion reais raised by this illicit trade finances organised crime. These underground organisations work against Brazilians who live their lives on the straight and narrow.

The topic was addressed by stakeholders and Souza Cruz executives in one of the discussion groups, in which doctors and health professionals participated. Although it was agreed that the responsibility for tackling illicit trade lies essentially with the government and the police, stakeholders said they expected Souza Cruz to continue its commitment to work with the government to combat all forms of illicit tobacco trade.

In addition to this, they also underlined the need to emphasise the relation between the high taxes paid by the legitimate tobacco industry and the growth of the black market in cigarettes. The average price of legitimate brands is 1.42 reais, while illicit brands are sold for an average of 78 cents. They also recommended that the company publish analyses on the quality of the ingredients used to make counterfeit cigarettes.



The suggestions made by stakeholders are in line with the actions already developed by the company, such as discussions of the issues with lawmakers, the creation of a focus group in the National Confederation of Industry and state-level sector federations, and distribution to stakeholders of articles on illicit trade published in the press (read more on this topic on the website)

www.souzacruz.com.br).

Read about the plans and projects developed as a result of the debates in the Future Developments chapter of this Social Report

Principal stakeholder expectations on this topic expressed in the Second Cycle:

- 1. SOUZA CRUZ should discuss with the authorities the issue of the relation between the high tax burden on the legitimate tobacco industry and the growth of the illicit cigarette trade.*
- 2. Inform consumers and public health authorities of its analyses of the poor quality of the components and materials used to make contraband and counterfeit cigarettes, showing the consumers of these products that they pose far greater health risks than legitimate cigarettes.*
- 3. Contribute to the development of projects that expose the negative consequences of illicit activities to retailers and consumers.*
- 4. Analyse ways of communicating with lower-income groups of society, given that these are the major consumers of illicit cigarettes.*
- 5. Continue to spearhead actions to combat illicit trade together with the various levels of government.*



5.4.1) INDICATOR-GFK OPINION POLL

The damage caused by illicit trade is very clear to Souza Cruz's stakeholder groups. For 85% of those polled by the Indicator-GFK institute, counterfeit cigarettes cause losses not only for the tobacco industry, but also for the government and society.

In virtue of this, 84% said cigarette contraband is not a problem that only concerns the industry. These high percentages demonstrate that the company's actions to tackle illicit trade have achieved the desired results.

More results of the Indicator-GFK poll can be found in the different sections that comprise The New Dialogue between Souza Cruz and its stakeholders.

Information on the methodology and other details of the poll can be found in the text Poll Exposes Stakeholder Opinions and Expectations

5 - THE NEW DIALOGUE

5.5 - RESPONSIBLE CORPORATE CONDUCT

Souza Cruz shows it is on the right path by presenting itself, in the discourse of its executives and in the opinion of its stakeholders, as an ethical and socially responsible company in a controversial industry. But this is just one of the first steps in a long journey to be taken.

"Even in countries that have strong anti-tobacco discourse and debate on the health risks of cigarettes is more intense, you will find that cigarette tar levels can be as much as two and a half times higher than in the brands made by Souza Cruz."

A Souza Cruz executive who attended the Second Cycle



To be known for the quality of the products it manufactures and sells, and recognised for the social responsibility actions it promotes. These could easily be the aspirations of a modern company. Souza Cruz has incorporated these objectives into its Business Principles, operating responsibly and going beyond mere legal obligations in its treatment of staff, partners, investors, government and society.

Standing out from among the many initiatives developed in this area is the founding of the Souza Cruz Institute in 2000 and the publication of the first Corporate Social Report in 2002, which was the first time a Brazilian company – or a cigarette company anywhere in the world – used the AA1000 international management and social responsibility standard. The Souza Cruz Institute is a non-profit NGO committed to the concept of Education for Sustainable Human Development, and it works with local communities.

As a follow up to these actions, the stakeholders attending the dialogue (lawmakers, educators, doctors, health professionals and NGO representatives) suggested that the company commission a survey to analyse whether today's youngsters smoke more than the youth of the past, and set up youth smoking prevention centres. They also recommended that the company raise the exposure of its social responsibility activities, and not just among the consumers of its products, as they claim the company's image is not benefiting enough from these initiatives.

Principal stakeholder expectations on this topic expressed in the Second Cycle:

- 1. SOUZA CRUZ should develop a project in partnership with reliable organisations to set up youth smoking prevention centres. As part of this programme, they suggested conducting a survey to determine whether today's youngsters smoke less than the youth of the past.*
- 2. Contribute to the training of university tutors to act as educational youth smoking prevention programme providers.*
- 3. Engage more actively with youngsters from the public school system, in virtue of their social representativeness. Adopt a different strategy when engaging with youngsters from higher income bracket families. Issues related to cigarette smoking, alcoholic beverages and youth violence, for example, should be incorporated into discussions with the former group.*

- Read about the plans and projects developed as a result of the debates in the Future Developments chapter of this Social Report***



5.5.1) INDICATOR-GFK OPINION POLL

The Indicator-GFK poll confirmed a fact that was already known by Souza Cruz: the company's credibility is greater than that of the tobacco industry in general.

Of the opinions expressed by stakeholder groups on the ethical conduct of Souza Cruz in its relationship with other groups, the following figures stand out: 70% of trend setters and 63% of stakeholders consider the company ethical in its relationship with the government; 61% of trend setters and 60% of stakeholders say the same thing about its relationship with the retail sector and 64% of trend setters and 47% of stakeholders said this about its relationship with journalists.

The poll also revealed that the institutional image of Souza Cruz is strong among the stakeholders and trend setters, although many actions developed by the company could be better exposed to the public. Three quarters of the stakeholders said they were aware of the fact that the Souza Cruz is Brazil's leading cigarette company, with 80% of sales and six of its brands among the most sold cigarettes in Brazil; 72% said they knew that the company is one of the country's five biggest taxpayers; 70% said they knew that Souza Cruz is a part of one of the world's largest tobacco groups, British American Tobacco (BAT); 62% knew it has been doing business in Brazil for 100 years.

When asked about the existence and the actions of the Souza Cruz Institute, these groups were considerably less knowledgeable. While 55% of the trend setters said they had heard of the institute, only 38% of stakeholders were aware of its existence.

Of the major programmes developed and supported by the Institute (Tree Club, The Future is Now!, Cedejor and Care), only around a third of those polled were aware of the existence of the Tree Club programme – 33% of trend setters and 29% of stakeholders. Even fewer had heard of the other three.

More results of the Indicator-GFK poll can be found in the different sections that comprise The New Dialogue between Souza Cruz and its stakeholders.

Information on the methodology and other details of the poll can be found in the text Poll Exposes Stakeholder Opinions and Expectations

5.5.2) ENGAGING WITH OTHER ORGANISATIONS

DIALOGUE WITH TOBACCO LEAF FARMERS

Souza Cruz streamlines its relationship with farming organisations in southern Brazil

*In February of 2002, the British NGO Christian Aid published a report on small-scale leaf farmers under contract to Souza Cruz in southern Brazil, blaming the company for a series of problems facing them. The document, entitled *Hooked on Tobacco*, addressed issues such as the indebtedness of small-scale farmers, the price the company pays for tobacco leaf, the impact of pesticides used on plantations and the number of suicides among these farmers. Souza Cruz responded to each of the issues and these responses were incorporated into the NGO's report.*

*The Christian Aid report prompted another Souza Cruz initiative. A month following its publication, the company embarked on a series of discussions with organisations representing leaf farmers from Brazil's southern states of Rio Grande do Sul, Santa Catarina and Paraná, in order to clarify the issues raised by Christian Aid and establish a transparent and cooperative relationship with these organisations. The main interlocutor in this dialogue process was the Department of Socio-Economic Rural Studies (Deser), an NGO that conducts research on family farming in Brazil's southern states and a partner of Christian Aid in the *Hooked on Tobacco* report.*

Between March 2002 and July 2003, six meetings were organised, helping forge a closer relationship between Souza Cruz and the participating organisations. At the first meeting, on March 8 2002, Souza Cruz representatives explained the company's position in relation to the issues addressed in the Christian Aid report, presenting its actions in each of the areas under discussion. Participating in the meeting were Christian Aid's Brazilian representative and members of Deser and the Family Farm Workers' Federation of Southern Brazil (Fetraf-Sul). At this early stage, it was decided to establish an agenda for continuing the dialogue.



Tobacco leaf plantation

A technical group was formed at the second meeting, on October 24 2002, to discuss some of the issues addressed in the report, such as alternatives to pesticides on the plantations and safety equipment used by farmers. This group is comprised of representatives from Souza Cruz, Deser, Fetraf-Sul and the Brazilian Association of Tobacco Farmers (Afubra). Aside from these organisations, also attending the second meeting, in the Paraná state capital of Curitiba, were representatives from the Family Agriculture Workers' Union (Sintraf) and the Ecological Farmers' Association of Palmeira, a town in inland Paraná. On this occasion, representatives scheduled visits to Souza Cruz programmes in the Rio Grande do Sul state municipality of Santa Cruz do Sul, and to the company's Research and Development Centre (CPD) in Rio de Janeiro.

*The trip to Santa Cruz do Sul took place on December 18 2002. Members of Deser and Fetraf-Sul visited the company's industrial unit in the town, where Souza Cruz's relationship with its contracted farmers was explained to them. They were also shown the social programmes developed or supported by Souza Cruz in different areas: elimination of child labour (*The Future is Now!*), entrepreneurial training for rural youngsters (Rural Youth Development Centre), assistance for*

tobacco leaf farmers (Plant Maize and Beans after the Tobacco Leaf Harvest, Reforest, Soil Master Plan and Pest and Disease Integrated Management) and social projects developed with local schools (Tree Club and School Kitchen Garden). On the same day, a presentation was given on the activities developed by Afubra.



Research and Development Centre

During the visit to the Souza Cruz Research and Development Centre, on January 14 2003, the company presented the technologies and research it has developed to increase productivity, improve tobacco quality and reduce the use of pesticides. The centre works with all the different stages of tobacco production – from the production of seeds through to the completion of the final product. Participating in the visit were representatives of Deser, Fetrat-Sul and Sintraf. After the tour, discussions were held and the group addressed the issues raised in previous meetings, such as the protective gear supplied by Souza Cruz to its contracted farmers.

At this meeting, it was agreed that Deser would come up with a partnership proposal for Souza Cruz, to introduce a programme to raise awareness and instruct farmers in areas such as soil management and conservation, reforestation, child labour, use of pesticides, small farm sustainability, and also to carry out experiments cultivating organic tobacco. The programme was discussed at a meeting in the Souza Cruz plant in Rio Negro, Paraná, on April 11 2003. Souza Cruz made an assessment of Deser's proposal and prepared its own contributions in a new project, which was submitted at meeting held on July 1 2003. Thereafter, it was up to Deser to define a joint project that could be put into practice and schedule the next meeting. By March 2004, the meeting had still not been scheduled.

5 - THE NEW DIALOGUE

5.6 - TOBACCO AND THE ENVIRONMENT

The management system at Souza Cruz considers the interests of its staff, their families and the environment before making corporate decisions that may have an impact on humans and nature

"The concept of consumption is going through an extraordinary transformation in Brazil. We are used to seeing people purely as consumers, but they are also citizens. This is why actions that take into account the importance of their citizenship elevate the discussion to an unprecedented level

A market research representative who attended the Second Cycle of Dialogue



A direct relationship exists between people, companies and the environment. In virtue of its awareness of this, Souza has created a management system that considers the impact on the environment and the occupational health of its employees and contracted farmers as a requisite when developing products, building new units or introducing new farming techniques.



Tree Club

In addition, the Souza Cruz Institute is working on programmes specifically geared to the environment, such as the Tree Club, which is taught in 1,800 schools from 660 Brazilian municipalities and engages some 3,000 teachers and 70,000 students. The programme, which was responsible planting no less than 12 million seedlings in 2003, teaches young children to grow and transplant seedlings of ornamental, exotic, native and fruit trees. The Tree Club was awarded the Top Social ADVB prize in December 2003, by the Association of Sales and Marketing Managers of Brazil (ADVB). It also won the Aberje Sul 2003 prize in the Corporate Citizenship Category, awarded by the Brazilian Association of Business Communication (Aberje).



School Kitchen Garden Programme

Another action developed in the area is the School Kitchen Garden programme, at 280 schools in southern Brazil, which teaches the young children of farmers how to grow vegetables and emphasises the importance of nutrition for children and youngsters (read more about this and other environmental programmes of Souza Cruz on the Souza Cruz Institute website www.institutosouzacruz.org.br).

Stakeholders participating in the group discussing this topic acknowledged the progress made by Souza Cruz, but also suggested that it could further develop some of the programmes focussing on its contracted farmers. Among the actions they recommended are incentives to diversify tobacco farming, encouraging the company's contracted farmers to grow beans, maize and other food crops to feed their families. The stakeholders taking part in this dialogue session were lawmakers, educators, doctors, health professionals and NGO representatives.

Principal stakeholder expectations on this topic expressed in the Second Cycle:

1. SOUZA CRUZ should develop actions to promote crop diversification on tobacco farms, encouraging farmers to grow beans, maize and other crops.
2. Reduce even further the amount of agrochemicals used to grow tobacco leaf, in order to try and reduce the negative consequences of pesticide use.

3. Analyse, at its Research and Development Centre, the possibility of making a biodegradable filter, which would prevent the accumulation of this material at the bottom of the ocean and its ingestion by fish.

4. Examine the possibility of developing research into carbon sequestration. The purpose of this proposal is to contribute to the reduction of carbon monoxide in the environment, one of the factors causing the greenhouse effect and raising the Earth's temperature.

5. Conduct studies on the planting of tobacco in the state of Minas Gerais, particularly in the poorer areas.

Read about the plans and projects developed as a result of the debates in the Future Developments chapter of this Social Report

5.6.1) NATURAL GAS VEHICLE FLEET

THE ENVIRONMENT IS GRATEFUL

Twenty percent of Souza Cruz's vehicles are fuelled by natural gas. The use of this clean fuel lowers costs, but more importantly it also reduces environmental damage

In 1993, when the first natural gas vehicles began to appear in Brazil, Souza Cruz had 20 cars adapted to use this clean fuel. At the time, the idea was to learn more about this technology up front and study its viability. Today, 300 of the company's fleet of 1,600 sales and delivery vehicles are fuelled by natural gas; in Brazil's major cities of São Paulo and Rio de Janeiro, all its vehicles now run on this fuel. "As this fuel becomes more readily available at fuel stations, we increase the number of adapted vehicles," explained Divino Souto, distribution and logistics manager at Souza Cruz. According to him, all the company's vehicles in the Minas Gerais state capital of Belo Horizonte will run on natural gas by 2005. Gas-run cars are concentrated in the areas where the distribution of this fuel is more widespread, which is why the majority of the vehicles circulate in São Paulo and Rio de Janeiro, and less so in Belo Horizonte, Curitiba, Porto Alegre, Recife and Salvador.

The use of natural gas instead of gasoline lowers costs, but more importantly it also reduces environmental damage. According to the International Association for Natural Gas Vehicles, various studies have revealed that the use of this fuel causes a reduction in the emission of greenhouse gases, particularly carbon dioxide.

Divino Souto explained that of the 40 million kilometres travelled by Souza Cruz's sales and distribution vehicle fleet each year, 16%, or 6.5 million kilometres, is driven in natural gas fuelled vehicles. Since 2002, thanks to the increase in the use of natural gas, polluting gas emissions have definitely been reduced considerably.

Segundo Divino Souto, dos 40 milhões de quilômetros/ano rodados pela frota de venda e de entrega da Souza Cruz, os veículos a gás já representam 16%, ou seja, 6,5 milhões de quilômetros/ano. De 2002 para cá, graças ao aumento da utilização do gás natural, a emissão de poluentes na atmosfera foi, com certeza, reduzida consideravelmente.

5 - THE NEW DIALOGUE

5.7 - TOBACCO REGULATION

Growing restrictions on people's right to smoke socially and on cigarette advertising on the one hand. Encouragement for tobacco prevention and reduced risks on the other. The future of the industry is focussed on learning to balance these new factors

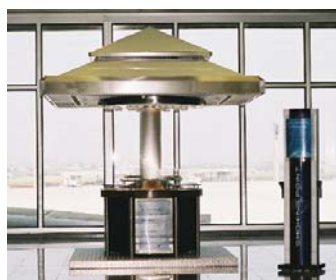
"Consumers need to be made aware that they may inadvertently be purchasing a counterfeit product. Our greatest partners are citizens. They should be made aware that illicit brands may be slightly cheaper, but they cause great damage to society and their health. It's not good enough just to produce and sell products ethically; it's also necessary to illustrate how we lose as a result of illicit trade, while the only winners are those who are outside the law." A lawmaker who attended the dialogue



The regulation of tobacco industry activities is a key factor in the future development of Souza Cruz's business. It deals with issues such as the right to advertise its products, the social role of the company and the damage that illicit trade inflicts on the industry, government and society. Restrictions on smoking at work, in commercial establishments and public places are growing the world over. But is it really possible to isolate smokers and non-smokers and create environments where one can live without crossing paths with the other?

For many of the stakeholders attending the dialogues, the one third of the Brazilian population who smoke feel they are treated like second class citizens. Anti-cigarette advertising causes embarrassment for smoking parents with their children. Given this unfavourable climate, what can be done?

Company executives present in the dialogue sessions explained to stakeholders Souza Cruz's position on these issues. It acknowledges that it makes a product that statistically poses health risks, although it emphasises that it invests time, money and qualified man-hours developing research and studies to try and reduce the harmful effects of cigarettes without compromising the pleasure of smoking. It develops campaigns to encourage smoking with moderation and was the first company to publish, transparently, the tar, nicotine and carbon monoxide levels of its brands and all the constituent elements of their smoke. It also combats the sale of cigarettes to under 18s, which is now illegal.



Smoking Point

Many sectors found Souza Cruz's position somewhat hard to swallow. Some retailers likened the approach to "shooting yourself in the foot", while anti-tobacco lobbyists were often quick to criticise the company's actions as merely disguising its hidden intentions. The dawn of the politically correct era, however, is slowly being replaced by a more mature and constructive all-round approach. Proof of this is the success of the smoking point (an area reserved for smokers), which was well accepted by both smokers and non-smokers who tested the pilot project that Souza Cruz installed in Rio de Janeiro's Antônio Carlos Jobim International Airport.

The company, as it has demonstrated with the actions it has implemented, is determined not only to maintain these programmes, but improve them – and create others. However, there was one suggestion raised during the dialogue by a representative of civil society that was quickly rejected. He asked the company to analyse the possibility of paying the medical expenses of smokers with the

profits it makes from its consumers. As a justification, he said it should be taken into account that any tax increase for this purpose could boost the black market in cigarettes.

Although they respected the suggestion, the Souza Cruz executives clarified that the provision of medical treatment – for smokers and non-smokers alike – is the responsibility of the State, which levies taxes for this purpose. They also added that Souza Cruz, as one the biggest taxpayers in Brazil, is already contributor.

Principal stakeholder expectations on this topic expressed in the Second Cycle:

- 1. SOUZA CRUZ should communicate the company's profile, its acts of social responsibility and cigarette industry related issues to lawmakers.*
- 2. Increase the amount of consumer information on the health risks of smoking and promote educational campaigns on the topic.*
- 3. Defend the rights of smokers.*
- 4. Frequently release reports from its research department on the relation between smoking and health, and on its initiatives to develop reduced-risk products.*
- 5. Communicate its main achievements in the areas of the environment and human resources.*
- 6. Develop new youth support programmes.*

Read about the plans and projects developed as a result of the debates in the Future Developments chapter of this Social Report



5.7.1) INDICATOR-GFK OPINION POLL

The poll commissioned from the Indicator-GFK institute by Souza Cruz reveals that both stakeholders and trend setters are aware of the restrictions imposed by regulation on the sale and advertising of cigarettes and on smoking in public places. Trend setters are those stakeholders who determine the way people act and think about the company. Among them, 84% said they were aware of the ban on cigarette advertising. The percentages are somewhat different among the stakeholders: 70% say they know about the restrictions.

For 78% of the stakeholders, it is better to regulate cigarette production and marketing than ban it altogether.

More results of the Indicator-GFK poll can be found in the different sections that comprise The New Dialogue between Souza Cruz and its stakeholders.

Information on the methodology and other details of the poll can be found in the text Poll Exposes Stakeholder Opinions and Expectations

5 - THE NEW DIALOGUE

5.8 - POLL EXPOSES STAKEHOLDER OPINIONS AND EXPECTATIONS

There are great expectations surrounding the discussion on smoking and health. The industry's official position, to recognise the health risks of smoking, should continue to be expressed



The Second Cycle of Dialogue began in May and June of 2003, when Souza Cruz commissioned the market research firm Indicator-GFK to conduct an opinion poll of a large group of its stakeholders. The poll was conducted with 255 people, in individual interviews, selected from two types of stakeholder groups: those that have and those that do not have direct associations with the company

According to the results of the poll, smoking as a habit is not simply going to die out, even taking into account the progressively more limiting restrictions against smokers and the tobacco industry. Another fact revealed by the opinion poll is that Souza Cruz's institutional image is better than the image of the industry as a whole. Financial robustness and ethics are what contribute most to the company's positive image, and the company's act of social responsibility are valued more than the product it sells. The poll also indicates that stakeholders expect Souza Cruz to intensify the discussion on smoking and health.

The Second Cycle came to an end in the second half of 2003, after several rounds of dialogue with groups and individuals on the topics Health Risks and Consumer Information, Youth Smoking Prevention, Tackling Illicit Trade, Responsible Corporate Conduct, Tobacco and the Environment, and Tobacco Regulation

Methodology

The 255 stakeholders invited to take part in the opinion poll had individual and in-depth interviews that were scheduled in advance and taped with their prior knowledge. The sample was comprised of state government representatives (25), the federal Executive (26) and Legislative (26), the media (26), the scientific community (20), business leaders (20) and NGOs (21). None of these were in any way associated with Souza Cruz, not even indirectly. Among the publics associated with the company who took part in the poll were shareholders and investors (26), suppliers (20), leaf farmers (20) and retailers (25). The stakeholders who participated in the poll were selected from a total of 1,955 people.

The poll also analysed the opinions of trend setters, those stakeholders who wield an influence over the rest of the group. They may either spread the acceptance of a trend or repress one, influencing the opinion of the whole group. These trend setters are more interested in tobacco industry issues than the other stakeholders; they consider it crucial to be well informed about what is going on in the sector and they frequently discuss the matter with their peers. It is not surprising, therefore, that they participate in the public debate on the tobacco industry, giving interviews to the press and writing articles for newspapers and magazines. Given their strategic importance among the stakeholders, they enable new attitudes and trends to be identified in the group.

The objective of the Indicator-GFK poll was to gather information on the perception of the company's image from those people that have an impact and are impacted by the actions of Souza Cruz, in order to streamline existing management programmes and create new ones, and also to gauge the efficiency of the actions developed by the company.

The Indicator-GFK poll reveals that stakeholders' knowledge of the company's social responsibility actions could be improved, as could its transparent approach to controversial and delicate issues. The official position of the industry to acknowledge the health risks of smoking should continue to be communicated to stakeholders.

The discussion of the future of the tobacco industry has been accompanied with genuine interest by its stakeholders. For the majority of those polled (51%), the sector will not simply disappear as a result of the growing restrictions imposed on the marketing of its products and the places where people can smoke. Quite to the contrary, it will remain strong and will probably expand as a result of its management efficiency. This impression is even stronger among the trend setters: 54% have the same opinion.

More results of the Indicator-GFK poll can be found in the different sections that comprise The New Dialogue between Souza Cruz and its stakeholders.

6 - FUTURE DEVELOPMENTS

6.1 - THE RESPONSES THAT SOCIETY EXPECTS

The intention to respond to the expectations of stakeholders who attended the Second Cycle of Dialogue will guide the steps taken by the company starting this year



Implement the actions approved in the Second Cycle of Dialogue and maintain the process of ongoing consultation with stakeholders are two of Souza Cruz's key goals for 2004. The list of stakeholder expectations is long; it will require at least the same amount of effort, or perhaps even more, that the company applied to meet stakeholder expectations in the First Cycle of Dialogue, in 2001. Back then, the company's responses were scheduled to be implemented over a period of 30 months. In a little over half that time, 18 months, 90% had already been carried out.

The company has learned from experience that delicate or controversial issues, which at first seem complicated to cope with, very often only require determination to be addressed with a view to finding a solution. Souza Cruz has demonstrated that it is determined to address the controversial issues associated with the tobacco industry, such as the health risks of smoking, underage smoking, tackling illicit trade and tobacco regulation.

Each of these issues has been addressed both with internal research and with external assistance – partnerships with universities, opinion polls and stakeholder dialogue – to help the company take a position. This process is ongoing – it did not begin with the First Cycle and it will not end with the Second Cycle.

The progress achieved so far is a direct result of the policy the company has adopted. By intensifying the dialogue with society, Souza Cruz has, in partnership with the government, taken the initiative to find a way to conciliate the interests of the cigarette industry with those of consumers, and also foster a harmonious relationship between smokers and non-smokers.

The publication of the Corporate Social Report 2003 is yet another stage in the process to consolidate Souza Cruz's socially responsible image. It can also be used as a companion for society to follow the company's activities in an organised, transparent and detailed manner, as was the case with the Corporate Social Report 2001. By publishing these reports, Souza Cruz enables its stakeholders to gain a better understand of the philosophy that steers its actions, to formulate their criticisms of the company, and to prepare for sensible and constructive dialogue, irrespective of the underlying differences of opinion.

*The **New Dialogue** chapter of this Social Report dealt with the expectations of the participants. In this chapter, Souza Cruz reveals what it intends to do, and also what it is doing, to meet the expectations.*

6.1.1) ACTIONS TO BE IMPLEMENTED BY SOUZA CRUZ HEALTH RISKS AND CONSUMER INFORMATION

- 1. Continue to disclose information on the characteristics and health risks of cigarettes, in accordance with the British American Tobacco (BAT) messages on the Souza Cruz website and widely publicised in the media for decades. Emphasise "Hoffman's List", which contains consumer information on all the cigarette components and smoke constituents that can cause various health problems.*
- 2. Publicise the Free Quit Line, which will be set up in partnership with the Federal University of São Paulo (Unifesp). The service will advise smokers who wish to stop smoking.*
- 3. Expand the concept of smoking with moderation for consumers and develop a strategic plan for the scientific and medical communities to debate the topic of moderation.*
- 4. Sponsor Brazilian research and studies at the Institute Of Medicine (IOM) in Washington, United States.*
- 5. Develop a partnership with the medical community to lay the foundations for a comparative study of tobacco in different countries.*
- 6. Conduct tests on the acceptance of the smoking point pilot project and expand its functions based on the tobacconist concept.*
- 7. Introduce the University Dialogue programme, launching the pilot in 2004.*
- 8. Participate more in Social Responsibility award ceremonies.*
- 9. Maintain the strategy of allowing stakeholders to visit the company's research and development centres, factories, leaf processing units and distribution centres.*
- 10. Keep up relationships with lawmakers and leaders of industry federations to present the policies of Souza Cruz.*
- 11. Continue to distribute the bimonthly Diálogo newsletter.*
- 12. Reaffirm the policy not to support candidates running for public office. This rule is part of the company's Code of Ethics. Souza Cruz is an Organisation for Economic Co-operation and Development (OECD) signatory and its commitment stretches to neutrality in political campaigns.*

YOUTH SMOKING PREVENTION

- 1. Develop ways for the Care programme to sign partnerships with the Ministry of Education.*
- 2. Complete the assessment of the Care programme by the Latin American Centre for Studies on Health and Violence (Claves), part of the Oswaldo Cruz Foundation, and publish the findings before the end of 2004.*

3. Analyse the viability of sponsoring an incubator for rural enterprises in Brazil's three southern states – Paraná, Santa Catarina and Rio Grande do Sul.

4. Continue the Socially Responsible Retail programme and organise eight new forums for 2004 in partnership with the Getúlio Vargas Foundation in São Paulo (FGV-SP).

TACKLING ILLICIT TRADE

1. Continue the campaigns to tackle cigarette contraband and counterfeit together with the National Confederation of Industry (CNI), the Tobacco Sector Commission and other organisations the company associates with.

2. Supply information and lobby for the National Health Regulatory Agency (Anvisa) to develop public campaigns on the poor quality of black market cigarettes and the health risks they pose for the population.

3. Keep up the strategy of supporting the Brazilian Institute for Ethical Competition (Etco) as the representative organisation for the industry

4. Develop a communication strategy specifically for lower-income groups about illicit trade.

5. Negotiate the industry's taxes with the government to try and narrow the price difference between legal and illegal cigarettes.

6. Submit the company's position on illicit trade to state and federal authorities.

7. Establish partnerships with NGOs that work with the field of illicit trade.

8. Encourage the publication of articles in the press about the negative impact of this illicit trade.

9. Participate in special events on the subject of illicit trade.

CORPORATE CONDUCT

1. Develop partnerships with the Federal University of São Paulo (Unifesp) in the area of youth smoking prevention centres.

2. Launch the University Dialogue Project.

3. Establish a partnership between the Care programme and the Ministry of Education.

4. Intensify the company's participation in social responsibility events.

5. Develop community activity projects for staff, emphasising the need for each one to shoulder a part of the social responsibility in their environment. A pilot project at one of the company's factories is already being planned.

6. Seal a partnership with the Akatu Institute to develop a “conscious smoking” programme.

8. Establish a partnership with the São Paulo state government to sponsor popular cultural activities.

9. Study the viability of using the vacant factory in Recife as a Community Development Centre, making use of the tax incentive laws.

TOBACCO AND THE ENVIRONMENT

1. Souza Cruz generates energy from burning biomass (firewood), which produces carbonic gas. The firewood used in this process is taken from the company’s own reforested land. The reforested area is capable of absorbing all the carbonic gas generated by this burning, ensuring a stable balance. The number of trees planted by the company, either in the reforested areas or in other areas of preservation it supervises, is greater than the number necessary to prevent an increase in the greenhouse effect. This being the case, the company does not consider it necessary to develop specific carbon sequestration research.

2. Continue encouraging local farmers to participate in the Plant Maize and Beans programme.

3. Set up a programme for the production of organic tobacco (without the use of agrochemicals); set up the Tobacco Leaf Residue Analysis programme in partnership with the University of Santa Maria (Rio Grande do Sul); set up the Virginia Tobacco Leaf Quality Certificate programme; request certification of Souza Cruz supply farms by the Institute of Forestry and Agricultural Management and Certification (Imaflora). Forestry certification has been created as an alternative to predatory exploitation and contributes to the proper use of forest resources, verifying that the company obtains its materials by employing proper, socially acceptable and economically viable management methods, following Forest Stewardship Council (FSC) standards; Souza Cruz/DF programmes for the collection of empty pesticide containers should be expanded.

4. Souza Cruz will conduct studies with the intention of establishing a Private Natural Heritage Reserve (RPPN) in partnership with universities and NGOs working with the environment.

5. Concerning the expectation about growing tobacco leaf in the state of Minas Gerais, studies already conducted by the company indicate that the crop is not suited to the state. Previous experiments in the state have not been successful.

TOBACCO REGULATION

1. Concerning the expectation that the company pay the medical expenses of smokers from the profits it makes from its consumers, Souza Cruz believes that the provision of medical treatment – for smokers and non-smokers alike – is the responsibility of the State. The taxes levied by the federal government are used to provide the financial resources necessary for this treatment. The company is one of the biggest taxpayers in Brazil.

2. The beliefs of the company on the health risks of smoking are based on the various epidemiological studies developed over the years. However, statistical studies are not capable of determining what will happen to any given individual. Science has not yet been able to establish which smokers will develop a smoking-related disease, which will not, and why. This is because we know that no single risk factor can alone be considered the cause of a disease that develops as a result of a complex interaction of personal and environmental factors, such as genetic predisposition, environmental pollution, occupational exposure, eating habits and hereditary factors.

7 - THE DATA

7.1 - AA1000

SOCIAL RESPONSIBILITY WITH AN INTERNATIONAL STANDARD

Already applied in several countries in Europe and Africa, and in the United States, AA1000 is the first international social responsibility management standard. Souza Cruz is the only company to fully implement it Brazil

In countries such as Portugal, France and Belgium, the publication of social reports is obligatory. Although no such laws exist in Brazil, the Institute of Social and Economic Analyses (Ibase) says that nearly 300 companies already report on their contributions to the betterment of society. Unlike their financial statements, the social reports published annually by numerous companies seldom follow any standard. The AA1000 (AccountAbility 1000) was developed for the purpose of supplying a practical tool to help organisations streamline and communicate their social responsibility.

First launched in preliminary form in November 1999 by the Institute of Social and Ethical Accountability (ISEA), a British NGO, AA1000 is the first international standard of its kind. It was based on the pilot projects of several companies, such as the British cosmetics retailer Body Shop and the American ice-cream company Ben and Jerry's, which had already carried out their strategic planning for an ethical and social responsibility policy.

To develop the standard further, events were organised with institutions in Australia, Western Europe, India, South Africa, the United Kingdom, the United States and Nordic countries, and consultations were held with the ISEA's international partners, including the Corporate Leadership Network.

The AA1000 is a standard and not a social certification system. In other words, it does not dictate the performance levels to be achieved by an organisation, nor does it verify compliance according to an ideal. The establishment of specific social responsibility targets for an organisation respecting each of its stakeholders varies widely from case to case, which makes standardisation difficult.

Business, non-profit or government organisations that adopt the standard should maintain ongoing activity cycles, which in turn should define or redefine their values, develop ethical and social performance targets, and evaluate and report on the success in meeting these targets. All these stages have been followed meticulously by Souza Cruz, the first multinational to complete the cycle in Brazil, and do so with independent verification by Bureau Veritas Quality International (BVQI).

Read more about AA1000 in the Souza Cruz Corporate Social Report 2001 and on the website www.accountability.org.uk.

7.2 – AUDIT



BUREAU VERITAS

INDEPENDENT ASSURANCE STATEMENT

TO: SOUZA CRUZ

Bureau Veritas Brazil declares that this statement based upon the results of assurance, expresses an independent opinion. Bureau Veritas has no other significant commercial interests in the activities of Souza Cruz operations in Brazil than the rendering of third party assurance services.

1. OPINION

Bureau Veritas is satisfied that information conveyed in Souza Cruz's second social report for the period July 2002 – March 2004 and marked as verified is reliable and free from significant error or bias. It is understandable and it enables stakeholders of Souza Cruz to gain better understanding of shared issues and how Souza Cruz is addressing them.

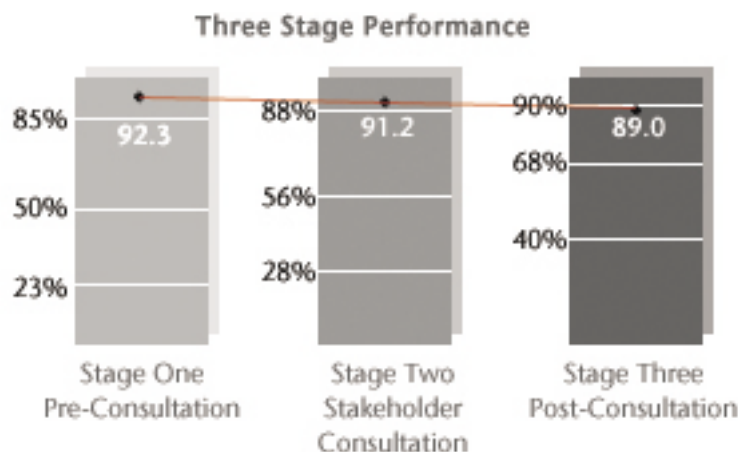
Souza Cruz's Corporate Social Responsibility Manager and the Board of Directors have reviewed the expectations and aspirations of both internal and external stakeholders to ensure that they are being effectively met within reason. They also address the accounting and reporting process to ensure that values, aims and objectives of Souza Cruz are monitored and complied with over an agreed and realistic timescale. There is an established internal audit function that ensures that performance measures up both to stakeholder expectations and to the requirements of the AA 1000 process standard for social and ethical accounting auditing and reporting.

Souza Cruz should now build on its effort to date by effectively monitoring, measuring and reporting its performance against selected indicators, objectives and targets to demonstrate on-going commitment to both the reporting process and to stakeholders interests.

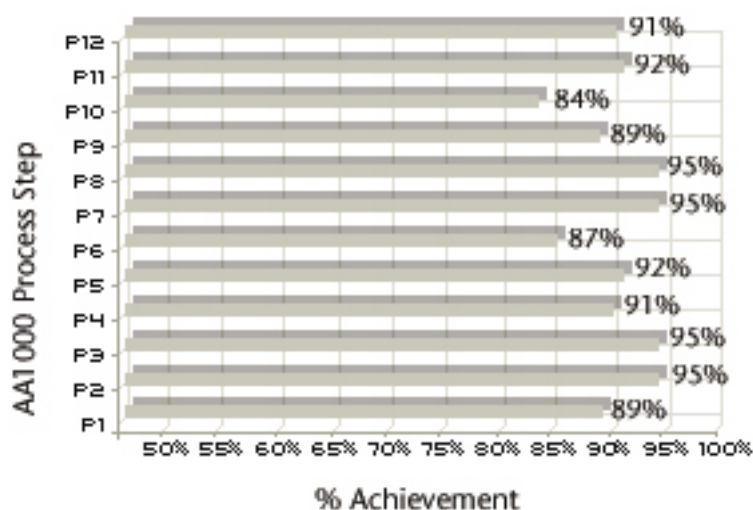
A budgetary commitment has been made to continue the stakeholder consultation, dialogue and reporting process for the foreseeable future.

1.1 AA1000/GRI Alignment & Commentary

The VeriSEAAR compliance scores for the three-stage performance and the 12 individual AA1000 process steps are illustrated in the following charts.



Process Step Quality



The results indicate a distinct improvement upon the previous reporting cycle of 2001-2 and reflect a maturing process whereby stakeholder engagement has been maintained and extended to new interested groups. In turn, Souza Cruz has been responsive to the concerns through proactive consultation and has reported accordingly.

1.1.1 Pre - dialogue

Newly identified and existing stakeholders who had already participated in Cycle 1 were selected for dialogue by an independent facilitator based on a stakeholder consultative survey that an independent agency undertook in May - June 2003. The stakeholders were informed via an invitation letter of what was expected of them during the dialogue process. The independent Facilitator allowed stakeholders to come up with their own suggestions or issues, besides those raised during the 1st Cycle that have continued to be monitored.

1.1.2 Dialogue

A total of five stakeholder dialogue sessions were held during the process. Four sessions were for collecting stakeholders' views and the remaining one was for Souza Cruz to respond to the issues raised by stakeholders. No stakeholder group was intentionally excluded. The facilitator, a Brazilian ex-Ambassador to France and Italy and to the American States Organisation, stated his independence at the start of each dialogue session. An independent organisation took the records of the minutes of the proceedings. Out of the 60 stakeholders invited, 30 attended the dialogues. The absence of key stakeholders, although invited such as the Health Minister and the President of INCA (Cancer National Institute) was regretted by participating stakeholders and by Souza Cruz, as their participation would have contributed positively to the dialogue process. Only INCA notified Souza Cruz of its absence before the dialogues. Souza Cruz representation at the dialogues was balanced.

For each dialogue session Souza Cruz gave an overview of the process and explained to the stakeholders what to expect at the end of the reporting cycle. The external BV Verifier was invited by the Facilitator to explain his role through a quick presentation of the AA1000 assurance process. The dialogue was without restriction and stakeholders were able to raise and explore issues that they thought were important to them.

Stakeholders expressed via feedback forms that Souza Cruz's initiative was positive and should be followed by other organisations in the country.

1.1.3 Post-dialogue

Souza Cruz has acknowledged and duly reported on the main issues of concern raised by participating stakeholders and others not discussed in detail during dialogue. Souza Cruz has defined and developed indicators and targets for areas and issues raised during the dialogue sessions and presented these to stakeholders at a wrap-up meeting held in March 2004.

The information conveyed in the social report affords the stakeholder an understanding of Souza Cruz's position in relation to issues raised predominantly through dialogue. The verifier is satisfied that information contained therein and marked as verified, is reliable and free from significant error or bias. The verifier

is satisfied that Souza Cruz will continue the accounting and reporting process, based on budgetary evidence and internal communications, aiming at ensuring regularity and timeliness throughout the CSR process.

The relevance and quality of responses to stakeholder-identified issues in the report is material and relevant to participating stakeholder concerns. Souza Cruz has discussed its responses to main stakeholder issues in sufficient depth and responded appropriately.

1.1.4 GRI Framework

Alignment with the Global Reporting Initiative guidelines and with the Brazilian IBASE Indicator (first Brazilian social responsibility set of indicators that encompass economic, environmental and social aspects) guidelines demonstrate a commitment to an overall social responsibility framework. However, the data contained in this part of the report were not submitted to and were not verified by Bureau Veritas and, therefore, do not bear the corresponding symbols.

Future Considerations

Areas of expectation in terms of AA1000 compliance and performance improvement:

- *Re-approaching key stakeholders such as the Ministry of Health and INCA (National Cancer Institute) with a view to getting their input in future dialogues and to ensuring inclusivity .*
- *Effective monitoring, measurement and reporting of Souza Cruz's performance against selected indicators and targets to demonstrate on going commitment to the reporting process and stakeholders interests*
- *External audits need to be extended to Souza Cruz industrial sites and other relevant sites in order to further verify compliance of systems with the AA 1000 standard and with changing best practice.*

2. Statement and assurance scope

Bureau Veritas has undertaken to provide a rigorous and balanced review of Souza Cruz's social reporting process. Souza Cruz has been audited by a verifier from Brazilian Bureau Veritas throughout the reporting period, using a consistent methodology .

Bureau Veritas' statement within this report covers only Souza Cruz operations and assurance has been conducted against two main objectives:

- *to provide an ongoing review of Souza Cruz's adaptation and implementation of AA1000*
- *to verify whether the information contained within the social report is a true and fair reflection of Souza Cruz's activities and performance.*

This statement covers the Souza Cruz social reporting process and the resultant report. Bureau Veritas has not been constrained by Souza Cruz in its coverage of the process or in its audit of information contained within the Report.

The assurance process of issues/expectations-based dialogues was the main effort in Souza Cruz's report. However, certain important cases which were reported in the 1st Cycle Report continue its relevance and ongoing continuous improvement and were, therefore, referred to in this present report: Project Cuidar ("Care"), Sustainable Retailing and Project CEDEJOR for rural young workers. Bureau Veritas assurance does not consist of verifying statements by Souza Cruz of belief, intent or aspiration.

3. Assurance Methodology

We have used a variety of established auditing techniques to check the accuracy of information reported. These include inspection of records and documents; internal and external enquiry; confirmation of information sources and accuracy; and direct observation of dialogues.




Due to the significance of stakeholder dialogue, the verifier attended all dialogue sessions during the 2nd Cycle to assess the freedom of stakeholder expression, the capture of issues raised and the correlation of these issues with the responses and commitments published in the report.

To assess the social reporting process as a whole against AA1000 we deployed our quantitative assessment tool, "VeriSEAAR"¹, which is modelled on a complete and literal interpretation of the requirements of the standard. VeriSEAAR provides a compliance score against the individual process steps of AA1000. While recognising that stakeholder dialogue should be on-going, for ease of presentation these are grouped into three social reporting stages: Pre-dialogue, Dialogue and Post-Dialogue.

Throughout the social reporting cycle Souza Cruz has been assessed using VeriSEAAR to provide an overview of against AA 1000 Principles and Process Standard requirements. Souza Cruz has had sight of the criteria used within VeriSEAAR, but at no point have the scoring mechanisms been revealed. Our philosophy throughout has been to help accelerate improvements in Souza Cruz's social reporting process by providing incremental and regular audit visits and inspection feedback.

Within the body of the report we have indicated where we have verified the content using three assurance symbols:

1 Bureau Veritas' VeriSEAAR includes as part of the tool a Truncated AA1000 allowing ease of use and application during verification work. More information is available on www.bureauveritas.com

	Base Data Assurance <i>Base Data: the facts stated or claims made have been confirmed by enquiry or other audit technique</i>
	Numerical Assurance <i>Numerical Data has been checked for accuracy and/or source</i>
	Process Assurance <i>Information has been checked for accuracy and is confirmed as being derived using a verified AA1000 process e.g. stakeholder outputs</i>



Bureau Veritas, 2004
April 2004

7.3 – THE STAKEHOLDERS

WHO PARTICIPATED IN THE DIALOGUE

The Souza Cruz Corporate Social Report is the result of a broad process of stakeholder engagement

Lawmakers, educators, doctors, health professionals, NGO representatives, sector associations, councils and institutes participated in the Second Cycle of Dialogue, which were held in September, October and November of 2003.

The dialogue process involved various different stages. To begin with, the market research firm Indicator-GFK conducted a poll with 255 people selected from two types of stakeholder groups: those that have and those that do not have direct associations with the company .

In the second stage, each of the two stakeholder groups met with company executives to present their expectations, make criticisms and suggestions, and listen to clarifications.

Individual dialogue sessions were also held with lawmakers and health professionals.

A total of 38 stakeholders participated in the second cycle. Listed below are the stakeholder groups that participated in each of these stages.

STAKEHOLDERS HEARD IN THE MARKET RESEARCH POLL

- *Representatives from the following sectors:*
 - *State governments*
 - *Federal Executive and Legislative*
 - *Media*
 - *Scientific community*
 - *Business leaders*
 - *NGOs*
- *Shareholders and investors*
- *Suppliers*
- *Leaf farmers and retailers*

PARTICIPANTS IN THE GROUP DIALOGUE SESSIONS

- *Representatives from the following sectors:*
 - *Gastronomy, hospitality and tourism*
 - *Advertising agencies*
 - *Commerce*
 - *Business*
 - *Leaf farmers*
 - *Stock market analysts*

- *Representatives from NGOs that work with the environment*
- *Representatives from the Pernambuco state government*
- *Lawmakers (members of Congress and the Senate) from the states of São Paulo and Rio Grande do Sul*
- *Rio de Janeiro and São Paulo, with private clinics and health insurance groups.*

PARTICIPANTS IN THE INDIVIDUAL DIALOGUE SESSIONS

- *Lawmakers (members of Congress and the Senate) from the following states:*
 - *Rio Grande do Sul*
 - *Minas Gerais*
 - *Rondônia*
 - *Pernambuco*
 - *Rio de Janeiro*
 - *São Paulo*
- *Health professionals*

7.4 - INDICATORS

SOUZA CRUZ, THE ENVIRONMENT AND SOCIETY.

Souza Cruz's indicators, according to GRI guidelines

The following information has been taken from Souza Cruz's report on environment, health and safety (EHS) and has been grouped together to meet the Global Reporting Initiative – GRI guidelines (June 2000). These indicators are expected to alter with time, reflecting new initiatives and changes in the environmental focus and the interests of the company's stakeholders.

AREA	SOUZA CRUZ POLICY	PERFORMANCE INDICATOR + GRI REFERENCE	2002 PERFORMANCE	2003 PERFORMANCE	COMMENTS
Energy	Energy conservation programmes will be set up and annual targets will be set to improve the efficiency of energy use. Fuels with low sulphur levels will be used when available. Boilers and furnaces will be regularly serviced and conserved to minimise emissions	<ul style="list-style-type: none"> Total energy used Total energy used per million cigarettes Total use of energy per metric tonne of product Reduction in energy use compared to previous year 	<ul style="list-style-type: none"> 1,115,670 gigajoules 6.31 gigajoules per million cigarettes 5.98 gigajoules per metric tonne of product 	<ul style="list-style-type: none"> 1,951,865 gigajoules 11.94 gigajoules per million cigarettes 12.16 gigajoules per metric tonne of product 	<p>The increase in energy consumption in 2003 was the result of:</p> <ul style="list-style-type: none"> A correction in the factor that transforms firewood consumption into gigajoules A real increase in firewood consumption as a result of the operations at the new factory in Cachoeirinha

AREA	SOUZA CRUZ POLICY	PERFORMANCE INDICATOR + GRI REFERENCE	2002 PERFORMANCE	2003 PERFORMANCE	COMMENTS
Materials	<p>The risks of hazardous substances will be assessed and suitable safety measures will be adopted and maintained. The safety measures will include analysis of EHS, material safety data sheets (MSDS), suitable storage and training of all staff that work with hazardous substances. Other assessments may be carried out and documented whenever materials come into contact with the product</p> <p>The acquisition, the use and the elimination of all hazardous substances will be carried out according to relevant national and international regulations</p> <p>Lists of all the hazardous substances will be drawn up. Detailed and up-to-date lists and safety reports on all hazardous materials used by the company will be maintained and stored centrally in order to ease access in cases of emergency</p>	<ul style="list-style-type: none"> Total materials used that can be transformed into products Total materials in tonnes/million tonnes cigarettes equivalent produced (direct materials) Total materials in tonnes/tonne of product Use of chemical products/hazardous materials Plans to substitute materials 	<ul style="list-style-type: none"> 101,177 metric tonnes Not available Not available 1.1 kg/hectare of active ingredient Existence of up-dated lists 	<ul style="list-style-type: none"> 93,244 metric tonnes 0.57 tonnes 0.58 tonnes 1.1 kg/hectare of active ingredient Existence of up-dated lists 	<p>The reduction in the amount of material used was the result of a production cut in 2003</p> <p>There was an adjustment in the level of converting materials into products, which started to be used in 2003</p> <p>Reduction of more than 80% in the use of agrochemicals in tobacco leaf plantations over the past 10 years, from 6.6 kg/hectare of active ingredient in 1991 to 1.1kg/hectare in 2001. The use of methyl bromide by Souza Cruz was eliminated in 1999</p> <p>The substitution of hazardous substances for less hazardous substances should be periodically analysed and documented. All the new substances used should be those that represent the lowest risk possible</p>

AREA	SOUZA CRUZ POLICY	PERFORMANCE INDICATOR + GRI REFERENCE	2002 PERFORMANCE	2003 PERFORMANCE	COMMENTS
Water	The operating units should come up with a programme to manage water use and its disposal, including routine procedures for monitoring the quality of water and to minimise usage and waste	<ul style="list-style-type: none"> Total water consumption (in cubic meters) 	<ul style="list-style-type: none"> 601,545 cubic meters 	<ul style="list-style-type: none"> 578,216 cubic meters 	The reduction in the total amount of water used was the result of a production cut
	The nature and volume of all the waste water discharged of should be calculated, characterised and documented	<ul style="list-style-type: none"> Total water used per million cigarettes/metric tonnes of the product 	<ul style="list-style-type: none"> 3.40 cubic metres per million cigarettes equivalent 3.22 cubic metres per metric tonne of processed tobacco 	<ul style="list-style-type: none"> 3.54 cubic metres per million cigarettes equivalent 3.60 cubic metres per metric tonne of processed tobacco 	The performance of Souza Cruz related to the water use indicator is a benchmark within the BAT group
	Discharge of untreated waste water directly into surface waters (for example, rivers, lakes or the ocean) should be avoided	<ul style="list-style-type: none"> Reduction in water use compared to previous year 	<ul style="list-style-type: none"> Reduction of 15.88% compared to total water used in 2001 	<ul style="list-style-type: none"> Reduction of 3.88% compared to total water used in 2002 	
	A suitable amount of pollution control equipment should be implemented to ensure a constant compliance with regulated discharge limits	<ul style="list-style-type: none"> Direct source of water and whether water is treated on location before it is used 	<ul style="list-style-type: none"> In line with targets 	<ul style="list-style-type: none"> In line with targets 	95% of the water used by Souza Cruz comes from municipal supply services and underground wells. 5% of the water used is treated by the company itself

AREA	SOUZA CRUZ POLICY	PERFORMANCE INDICATOR + GRI REFERENCE	2002 PERFORMANCE	2003 PERFORMANCE	COMMENTS
Emissions, effluents and waste	<p>All the operating units should identify the nature and volume of all its atmospheric emissions and discharges of water and waste, keeping data on this information</p> <p>Licenses and/or permissions must be obtained in the proper way according to local or national regulations</p> <p>All important emissions of particles and gases should be controlled by a greater streamlining of tobacco leaf processing and/or the implementation of measures to reduce emissions. Equipment to control pollution should be installed where necessary to comply with emission levels or in response to justified complaints from the population</p> <p>Whenever necessary, the units should update their original records, after any modification at the factory, in the planning of the production processes or in the rules of operation</p> <p>Whenever odours coming from the tobacco processing units trouble neighbours, or whenever there are new local regulations, all the operating units should install equipment to reduce odours and monitor their emissions so that the tobacco odours that may bother the local community do not persist. If there is no suitable municipal effluent (sewerage) system, nor the resources for treatment, all the operating units should install an effluent treatment plant on location. If possible, solid tobacco residues should not be discharged in liquid effluents; they should be treated alternatively, either deposited in landfills or incinerated</p>	<ul style="list-style-type: none"> Greenhouse gas emissions (metric tonnes in CO2 equivalent) Ozone-depleting substances Total waste generated (metric tonnes) in the air, earth and water Total waste per million cigarettes and per metric tonne Reduction in waste compared to previous year Amount of waste recycled or re-used Management on location and outside the location Specific details of residues deposited in landfills Carbon dioxide equivalent emissions (metric tonnes) CO2 emissions per million cigarettes and per metric tonne Discharge of sewerage 	<ul style="list-style-type: none"> 120,596 metric tonnes in emissions of CO2 equivalent 2.7 tonnes of CFCs used 13,433 metric tonnes of waste generated, 5.7% of which is deposited in landfills 0.08 metric tonnes per million cigarettes equivalent 0.07 metric tonnes per tonne of processed tobacco Reduction of 30.77% compared to 2001 12,656 metric tonnes or 94.2% of waste recycled or re-used All waste managed outside the location 762 metric tonnes of waste for landfills 628 metric tonnes in emissions of CO2 equivalent 0.68 tonnes per million cigarettes 0.65 metric tonnes per tonne of processed tobacco 94% of the sewerage generated was treated. Only 6% was discharged in the public system 	<ul style="list-style-type: none"> 140,634 metric tonnes in emissions of CO2 equivalent Data not yet available as calculations are made in May of each year. 14,923 metric tonnes of waste generated, 6% of which is deposited in landfills 0.091 metric tonnes per million cigarettes equivalent 0.093 metric tonnes per tonne of processed tobacco Increase of 11.09 % compared to 2002 14,048 metric tonnes or 94% of waste recycled or re-used All waste managed outside the location 758 metric tonnes of waste for landfills 837 metric tonnes in emissions of CO2 equivalent 0.86 tonnes per million cigarettes 0.88 metric tonnes per tonne of processed tobacco 94% of the sewerage generated was treated. Only 6% was discharged in the public network 	<p>The increase in gas emissions is the result of an increase in energy use (see Energy indicators).</p> <p>It should be pointed out that the data on recycling are consistent and exceptional, revealing a recycling level of nearly 100%.</p>

AREA	SOUZA CRUZ POLICY	PERFORMANCE INDICATOR + GRI REFERENCE	2002 PERFORMANCE	2003 PERFORMANCE	COMMENTS
Transport	<p>The use of alternative means of transport that are more friendly to the environment should always be considered before opting for road transport</p> <p>We should always consider the use of the cleanest types of fuel</p> <p>A report should be made to plan and schedule all dispatches. Containers should be packed full and, if possible, return trips should be made with full cargo to avoid fuel wastage</p> <p>All trucks and other means of transport owned or contracted by Souza Cruz should be in good working order, with suitable servicing, to reduce the emission of exhaust fumes</p>	<ul style="list-style-type: none"> Business trips, including vehicle fleet (emissions of CO2 equivalent) Fleet (emissions of CO2 equivalent) 	<ul style="list-style-type: none"> 7,880 metric tonnes of CO2 equivalent emissions, in business trips 11,298 metric tonnes of CO2 equivalent emissions, in product distribution 	<ul style="list-style-type: none"> 3,315 metric tonnes of CO2 equivalent emissions, in business trips 14,452 metric tonnes of CO2 equivalent emissions, in product distribution 	<p>There was a significant reduction in the number of trips in 2003 when compared to the previous year</p>
Suppliers	<p>A complete assessment of the environment, the health and safety impact of products and procedure should include an analysis of the production process used by suppliers. Similar performance standards should be promoted for upstream and downstream activities</p>	<ul style="list-style-type: none"> Performance of suppliers relative to environmental components of programmes and procedures Number and type of incidents of non-compliance with national and international standards 	<ul style="list-style-type: none"> 100% of international suppliers and those that supply products locally for Souza Cruz have been surveyed using BAT's BEST programme This is not currently measured 	<ul style="list-style-type: none"> 100% of international suppliers and those that supply products locally for Souza Cruz have been surveyed using BAT's BEST programme This is not currently measured 	

AREA	SOUZA CRUZ POLICY	PERFORMANCE INDICATOR + GRI REFERENCE	2002 PERFORMANCE	2003 PERFORMANCE	COMMENTS
Products and services	Companies should maintain formally documented procedures to assess the environmental and health and safety impact of their products and services	<ul style="list-style-type: none"> Principal environmental issues and the impacts of products and services Programmes or procedures to avoid or minimise the potential adverse environmental impact of products 	<ul style="list-style-type: none"> Existence of the QuEnSH system 	<ul style="list-style-type: none"> Existence of the QuEnSH system 	<ul style="list-style-type: none"> For more information on procedure for documenting environmental, health and safety impacts, see the QuEnSH case study in the Social Report 2001 (www.souzacruz.com.br)
Use of land/ biodiversity	When using wood as fuel to dry tobacco or to build barns to cure tobacco, the company's operating units should ensure that its wood supply is totally sustainable, with complete self-sufficiency and that the use of the wood is managed with the greatest efficiency possible	<ul style="list-style-type: none"> Amount of land the organisation owns, leases or manages or is in some way affected by the organisation Changes to natural habitats resulting from activities + Amount of habitat protected or restored 	<ul style="list-style-type: none"> 8,837 hectares 2,679 hectares 	<ul style="list-style-type: none"> 8,837 hectares 2,679 hectares 	
Social and environmental legislation – Compliance	<p>Souza Cruz requires its operating units comply with the following:</p> <ul style="list-style-type: none"> Reach a high level of environmental, health and safety performance, exceeding simple compliance with local laws and regulations Comply with all national and international laws and regulations that affect its commercial activities 	<ul style="list-style-type: none"> Magnitude and nature of penalties for non compliance 	<ul style="list-style-type: none"> There have been no penalties for non compliance 	<ul style="list-style-type: none"> 1 fine imposed by Ibama 	<p>Fine for non-possession of a license to operate a fuel supply station at one of its operating units. The station was shut down and the problem was fully resolved.</p>

Souza Cruz's indicators, according to Brazilian Institute of Social and Economic Analyses (Ibase) guidelines.

1 – FINANCIAL INDICATORS		2003		2002		
		Amount (R\$ thousand)		Amount (R\$ thousand)		
Net sales (NS)		3,244,646		2,818,611		
Operating profit (OP)		1,018,595		1,011,876		
Gross payroll (GP) (1)		140,700		146,900		
Net sales per employee (R\$ mil)		758,981.5		665,080.5		
2- INTERNAL SOCIAL INDICATORS		2003		2002		
		Amount (R\$ thousand) % of GP % of NS		Amount (R\$ thousand) % of GP % of NS		
Meals		14,334	10.2%	14,680	10%	0.5%
Compulsory payroll-related social costs		47,190	33.5%	46,700	31.8%	1.7%
Pension plan		36,627	26%	36,800	25.1%	1.3%
Health		3,976	2.8%	5,469	3.7%	0.2%
Safety and medicine at work		3,890	2.8%	3,366	2.3%	0.1%
Education		-	0%	-	0%	0%
Culture		-	0%	-	0%	0%
Professional training		4,500	3.2%	5,331	3.6%	0.2%
Nurseries and nursery assistance		18	0%	20	0%	0%
Performance related pay		34,929	24.8%	34,269	23.3%	1.2%
Others (additional benefits)		7,837	5.6%	3,777	2.6%	0.1%
TOTAL – INTERNAL SOCIAL INDICATORS		153,301	109%	150,412.4	102.4%	5.3%

3- EXTERNAL SOCIAL INDICATORS	2003			2002		
	Amount (R\$ thousand)	% of GP	% of NS	Amount (R\$ thousand)	% of GP	% of NS
Total contributions to society	17,218	12.2%	0.5%	12,809	8.7%	0.5%
Taxes (excluding compulsory payroll-related social costs)	3,854	2.7%	0.1%	3,600	2.5%	0.1%
TOTAL – EXTERNAL SOCIAL INDICATORS	21,072	15.0%	0.6%	16,409	11.2%	0.6%
4- ENVIRONMENTAL INDICATORS	2003			2002		
	Amount (R\$ thousand)	% of GP	% of NS	Amount (R\$ thousand)	% of GP	% of NS
TOTAL INVESTMENTS IN THE ENVIRONMENT	2,524	0.02	0.08%	4,435	3%	0.2%
5- PERSONNEL INDICATORS	2003			2002		
	2003			2002		
No. of employees at the end of the year	4,275			4,238		
No. of people hired during the year	687			645		
No. of interns	74			90		
No. of employees older than 45	749			745		
No. of women working at the company	596			600		
No. of women in management positions	81			82		
No. of black employees	399			429		
% of management positions occupied by black employees	3			4		
No. of handicapped or special needs employees	101			103		

6- RELEVANT INFORMATION ON CORPORATE CITIZENSHIP	2003	2002
Social and environmental projects developed by the company were defined:	() by the board (X) by the board and managers () by all employees	() by the board (X) by the board and managers () by all employees
Health and safety standards in the workplace were defined:	() by the board (X) by the board and managers (X) by all employees	() by the board (X) by the board and managers (X) by all employees
Pension plans are available for:	() the board (X) the board and managers (X) all employees	() the board (X) the board and managers (X) all employees
Performance related pay is available for:	() the board (X) the board and managers (X) all employees	() the board (X) the board and managers (X) all employees
When selecting suppliers, the same ethical, environmental and socially responsible standards adopted by the company:	() are not considered () are recommended (X) are required	() are not considered () are recommended (X) are required
Concerning the role of employees in volunteer programmes, the company:	() does not get involved (X) supports and encourages () organises	() does not get involved (X) supports and encourages () organises
7- OTHER INFORMATION	2003	2002
Indicators		
Rate of accidents per employee resulting in leave from work	0.19%	0.19%
Rate of accidents per employee not resulting in leave from work	1.12%	1.13%
(1) Includes Compulsory Payroll-Related Social Costs		

7.5 – CONTACT US

WE WELCOME YOUR FEEDBACK

This Corporate Social Report covers topics recommended by the AA1000 and Global Reporting Initiative (GRI) guidelines, as well as the issues raised by stakeholders during the dialogue sessions. Stakeholder engagement is ongoing and Souza Cruz hopes that all stakeholder concerns can be addressed going forward. Souza Cruz values this debate for identifying areas where the company's activities can be improved.

Your comments on this Corporate Social Report and the issues raised here are very important to us. If you would like to share your opinions with Souza Cruz, please email us at:

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