

## THE SOCIAL AUDIT

### What is it?

The social audit is a business statement published every year to present a set of information about the social projects, benefits and actions addressed to employees, investors, market analysts, shareholders and the community at large. It also functions as a strategic instrument to evaluate the practice of corporate social responsibility.

Through its social audit the company shows what it does on behalf of its professional staff, their families, collaborators and the community at large. Transparency is given to the activities developed to improve quality of life. Its main function is to make public the company's social responsibility, thereby strengthening the links between company, society and environment.

When put together by multiple professionals, the social audit shows and measures the company's concern about people and about life in our planet.

### Background

In the United States and Europe during the 60s, public repudiation of the war in Vietnam triggered a movement to boycott the goods and shares of some companies that were associated with the conflict. Society demanded a new ethical attitude and some companies began to provide accounts for their social actions and objectives. Drawing up and publishing annual reports containing information of a social nature led to what we now know as "**the social audit**".

In Brazil the idea began to be discussed in the 70s, but only in the 80s the first social audits were published. From the 90s onward, corporations of various sectors began to publish their results annually.

The issue only gained national attention in June 1997 when sociologist Herbert de Souza - Betinho - launched a campaign for companies to publish their social audit on a volunteer basis. With the support and participation of prominent business personalities, the campaign took off and led to a series of debates in the media and in seminars and forums. We can now see the success of this initiative and assert that what is now underway is a process of shaping another mentality and innovative practices amid the business sector.

### Why publishing it?

- Because it's ethical. Being fair, good and responsible is a reason in itself.
- Because it adds value. The social audit gives the company a reference that is being more and more appreciated by investors and consumers in Brazil and throughout the world.
- Because it reduces the risks. In a globalized world where information takes only some minutes to be spread all over international markets, ethical and transparent conduct has to be an integral part of any organization's strategy.
- Because it's an instrument of modern management. The social audit is a valuable tool for the company to administrate, measure and publicize the practice of social responsibility in its undertakings.
- Because it's an instrument of evaluation. Market analysts, investors and financing agencies such as BNDES, BID and IFC now include the social audit in the list of documents required to assess a company's risks and projections.
- Because it's innovative and transforming. Publishing an annual social audit means changing the old approach - indifferent to the satisfaction and welfare of employees and clients - to a modern view where the company's objectives include the concern

of social and environmental responsibility.

### **Who benefits?**

The social audit benefits all groups involved with the company's activities. It provides useful information for directors to make decisions regarding the social programs the company sponsors. Preparing the social audit stimulates the employees to take part in choosing social actions and projects, thus improving internal communication and integration between managers and staff.

Suppliers and investors learn how the company faces its responsibilities with regard to human resources and the environment, which is a good indicator of how the company is run. The social audit shows consumers its philosophy and the quality of the product or service that is provided, pointing to the way the company chooses to make itself known. The State also benefits through the identification and formulation of social policies. As Betinho would say: "the social audit has no owners, just beneficiaries."

### **The stamp**

In 1998, in order to encourage more corporations to participate, Ibase launched the Ibase/Betinho Social Audit Stamp, awarded each year to companies that publish their social audit according to the model suggested by Ibase.

The stamp allows companies to show – on their packaging and in reports, sites and publicity campaigns – that they invest in education, health, culture, sports and the environment.

The Ibase/Betinho Social Audit Stamp shows the company has already taken the first step towards becoming a citizen-company committed to increasing quality of life of its employees, the community and the environment. Its annual publication presents to the public its internal and external investments.

### **The model**

Since 1997, Ibase has been calling the attention of the business community to the importance and need for a single and simple model for the social audit. Ibase believes that simplicity guarantees a greater number of companies involved. So, after meeting and debating with different sectors of society and various representatives of public and private companies Ibase developed a model that is simple and objective, which stimulates companies to publish their social audit regardless size and sector.

If information is not presented according to a minimum standard, it becomes difficult to make a proper evaluation of a company's social function over the years. The predominance of objective data is fundamental to enrich this type of statement. Although it is no easy task to correlate financial factors with social data, the indicators presented in the model suggested by Ibase help the comparative analyses of the company over time or among other companies of the same sector. Society and the market are the chief auditors of the process and the results achieved.

### **Who does it?**

The number of companies that publish annual social audit has grown fast. Below are listed some of those that publish their social audit according to the model suggested by Ibase. The complete list of companies and other information can be found at:

[www.balancosocial.org.br](http://www.balancosocial.org.br)