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Sustainability of Brazilian Companies: A Financial Analysis

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Abstract

This paper compares the Corporate Sustainability Index (CSI index) and the BOVESPA index in the period of 2005 to 2015 to verify the best investment among these two. The data were obtained from BOVESPA and the Brazilian Institute of Geography and Statistics (IBGE) sites. The study has shown that CSI index had an accumulate gain of 108.58% and IBOVESPA's accumulate gain was 13.96%. It is also presented a study of the sustainable development index (SDI index) in four fundamental dimensions: environmental, social, institutional and economic.

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1. Introduction

According to the Brazilian Association of Private Brands and Outsourcing (ABMAPRO) [1], the human being in nomad times was characterized by consumption and waste without worrying about the shortage of the resources. The emergence of the agriculture and the industry has made the population changing radically their thoughts on the consumption of resources on the planet.

According to Alessio [2], corporate social responsibility is the social performance of the company; it permeates from the strategic level of the organization to its operating level. It aims to build a more human character, ethics and altruism for the company, demonstrating that the interest given to the business has gone beyond economic interests.

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According to Almeida [3], the companies have to be transparent, adopt an ethic code to all employees, produce products that do not harm the environment, save energy and water and create new forms of services. This can be a challenge, but it can become vital to the future of the business: generates competitiveness, strength and sustainability in a global and competitive business world.

2. Corporate Sustainability Index (CSI index)

Global warming has put the government's agenda and businesses to the necessity to preserve the environment. The concern has also led to many investors and shareholders to seek profitable private organizations that focus their business beyond the economic issue. Those investing in social issues and sustainability to implement their investment, THOMSON [4]. The importance of transparency and good corporate governance also become highlights in recent years. However, what are the advantages of companies to adopt a sustainability index? Increasingly sustainable businesses are seen as a good deal because they are realizing how that environmental and cultural changes are bringing to the financial market. Such organizations are seen as innovative, reliable, and differentiated and can generate greater shareholder value.

Corporate Sustainability Index (CSI index) was created in 2005 by BM&FBOVESPA that is the Brazilian stock exchange and FGV EAESP that is the main Brazilian Management University. The CSI index reflects the return of companies' portfolio with the best performances in all dimensions which measure business sustainability. Such organizations must be committed to social responsibility and corporate sustainability.

According to BOVESPA [5] are invited to participate in this index, companies that have two hundred most liquid shares on the Stock Exchange and adopt the best sustainable practices. The participation is voluntary and such companies must answer a questionnaire that seeks to reflect, in addition to business characteristics, its performance in economic, environmental and social, corporate governance and the nature of its products. In ten years, one hundred and forty companies with shares listed on the Stock Exchange have participated in the selection process at least once. Of these, seventy-two have integrated at least one of the CSI; forty-one were at least five portfolios; and eleven were in all CSI's portfolios, according to EAESP [6].

The analysis is performed by the Sustainability Studies Center [7] of FGV-EAESP in seven dimensions: Environmental, Social, Economic and Financial, Corporate Governance, General, Product Nature and Climate Change.

According to BM&FBOVESPA the new portfolio comprises forty shares of thirty-five companies representing sixteen sectors amounting to R\$ 960 billion in market value, equivalent to 44.75% of the total market value of companies traded on the BM&FBOVESPA. This new portfolio is effective from January 4, 2016 to December 29, 2016.

In the world, the most famous index of sustainability is the Dow Jones Sustainability Index (DJSI), launched in 1999, which was the first to evaluate the performance of companies listed on the New York Stock Exchange using sustainability criteria.

3. Results

The data has shown that in its first month, the sustainability index presented a shy nominal growth of 4.01% and a slight drop in the dollar of 1.93 percentage points. However, in its first year (2005-2006), the CSI index achieved a slightly higher than IBOVESPA performance, ending the period with an increase of 50.88% against 45.54% of the IBOVESPA. In 2007, it can be seen that the raised charts and figures that there was a balance between the two indices, the CSI was up 69.41%, while the benchmark BOVESPA index increased slightly higher than 73.39%.

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