

APRIL 2021

# Bulletin



**Chapter  
Zero** Brazil  
The IBGC Climate Forum

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## The role of boards and the future of business

The ESG agenda (Environmental, Social, and Governance) has been in place for at least 30 years, starting with the support of philanthropic activities and being shaped over the last 20 years to be incorporated into the way of doing business. In the past few years, there has been a proliferation of initiatives regarding environmental concerns aimed at executives and other decision-makers, but until recently there were no initiatives that subsidized company boards to have a lasting and irreversible influence on executive decisions to combat climate change. Within the ESG agenda, the environmental issue is one of the priorities.

In this context, it is extremely challenging for the boards to incorporate, consistently and steadily, climate change understanding into business decisions in each internal process, thinking the entire productive chain through, up to the final consumer. From small daily activities to large investments, everything should take climate change into account.

**“The threat of climate change is far greater, far more urgent and far more devastating than any other ESG challenge out there.”**

**Karina Litvack**, Non-Executive Director, Eni S.p.A., Viridor Waste Management Ltd., Founder of Climate Governance Initiative

Addressing climate change and environmental concerns within the agenda of companies' business boards is extremely common, but the opposite can be said of setting tangible zero-carbon goals with a fixed date and long-term strategic planning.

The educational process to companies is a decisive factor. Simply excluding suppliers or partners who are not aligned with the green economy or reduction of carbon emissions is not effective by itself. It is necessary to seek engagement and transform the companies, and the boards have a fundamental role of constant awareness in this, with the presence of independent members from different backgrounds bringing different perspectives.

Maintaining environmental values is essential for the very survival of business, since society's values also change. As a way of survival on the market, it is fundamental to offer products that make the end consumer able to neutralize their own carbon emissions. Otherwise, the consumer will seek another, more sustainable product. The same goes for diversity. Is not common to have a widely diverse board that positions itself more forcefully regarding social issues in companies, even though the progress made in recent years is remarkable. Consumers yearn to be represented in the products they consume, regardless of what product it is.

## Complete ecosystem

Isolated attitudes are not enough to contain climate change. We need a whole ecosystem that complements itself in efforts of different natures: stock issuers, investors, factories, corporate culture, services, boards, CEOs, employees, suppliers, civil society, stakeholders, and others. For this to happen, it is fundamental to create an entire corporate culture aligned with sustainability and diversity values, with well-defined planning and execution deadlines, which guarantee the perpetuation of long-term actions, regardless of who occupies the decision-making positions of the company.

In the business sector, the role of the boards is intrinsically linked to the continuity of good governance, environmental actions to reduce carbon and guarantee diversity, but also in supporting the company mindset change and the CEO actions. Just acknowledging the fight against climate change is not enough. The issue must be treated as a priority, incorporating environmental values into all processes and into the business hierarchy as a whole.

**“We believe in a militant, activist, provocative board, acting with the companies' leadership.”**

**Franklin Feder**, Member of Board of Directors in both the U.S. and Brazil, including publicly-traded and privately-owned companies as well as NGO's



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## Diversity of boards

In addition to social responsibility, diversity has the role of bringing a variety of different backgrounds and ways of thinking and acting, which add a plurality to the company that will be reflected, in the short or long term, in actions that impact more people, ensure a legacy to the company and its taxpayers and can positively impact profits and productivity.

But for this diversity to be whole, it must go beyond what's obvious, beyond pre-established quotas: it must reach every hierarchic position and permeate the company's culture, going beyond predictable models and seeking people who bring on not only an ethnic, gender, sexual orientation plurality, among others – which are also essential, but who also bring a diversity of education, life history and ways of thinking.

“Diversity brings a more consistent and better decision, not only in the present but also when thinking about the future. Within a strategic vision, diversity plays an essential role.”

**Carlos Takahashi**, Country Head Brazil  
& Managing Director of Blackrock

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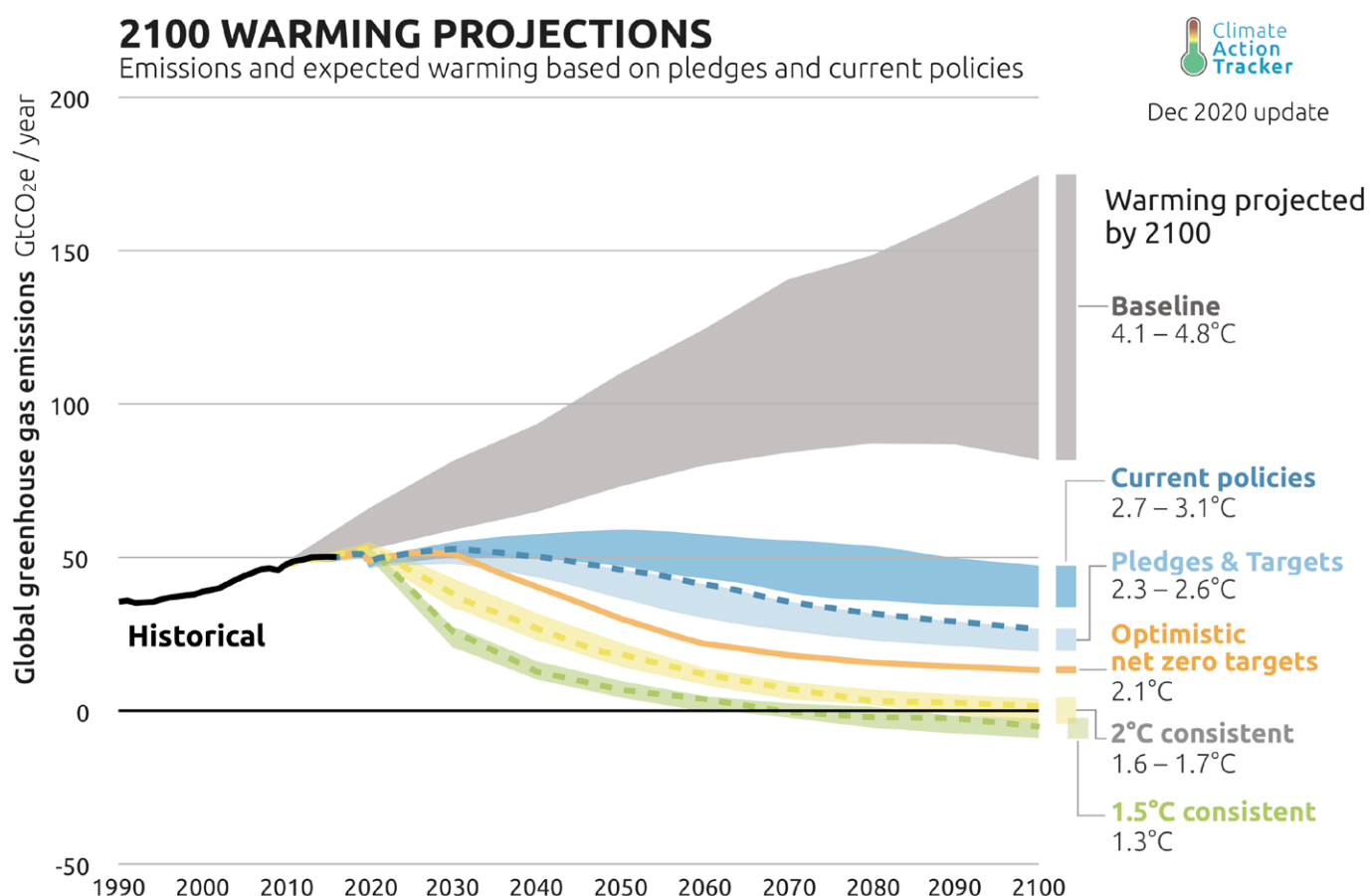
“The transformation needs to happen and we can see it as an opportunity or as a postponable threat.”

**Tasso Azevedo**, Coordinator MapBiomass & SEEG (System of Estimation of Green House Gases Emissions)

## Risk vs opportunity

The risks brought by climate change bring new opportunities for investment and growth of companies. Circular economy, regenerative economy, renewable energies, and new forms of agriculture can be great allies for the neutralization of carbon emissions, besides being viable business models since the demand for these products and services increases every year.

While there is risk in the investment, there is the opportunity it will become scalable and profitable in the long run.



Source: <https://climateactiontracker.org/global/temperatures/>



## Emissions scopes

Companies should pay attention to three scopes when attempting to reduce carbon emissions. Usually, they only pay attention to scope 1, which encompasses direct emissions coming from the company. However, from the creation of the product until its use by the consumer, there are emissions that the company should be concerned about. Sustainability is not limited to the moment the product is purchased, and there should be a greater awareness in all stages and the post-purchase.

Scope 1	Scope 2	Scope 3
All direct emissions from the activities of the company or of subsidiaries under its control, including the use of fossil fuels in all stages.	Indirect emissions caused by the use of electricity, considering the type of energy used.	All other indirect emissions, including sources and suppliers not controlled by the company, in addition to emissions arising from the use of the product or service offered.

“ESG is not just a governance acronym. It represents the understanding of several other bits of knowledge that the business sector is not very familiar with.”

**Ricardo Young**, Chairman of Ethos Institute, board member of other Brazilian organizations

### Speakers

#### Moderator:

**Ricardo Young**,  
Chairman of Ethos  
Institute, board member  
of other Brazilian  
organizations

#### Panellists:

**Carlos Takahashi**,  
Country Head Brazil &  
Managing Director of  
Blackrock

**Franklin Feder**,  
Member of Board of  
Directors in both the  
U.S. and Brazil, including  
publicly-traded and  
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**Karina Litvack**,  
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