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Confederation of Indian Industry



CIHTC Centre of Excellence
for Sustainable Development

4th Sustainability Summit: Asia 2009
“Winning Strategies for a Sustainable World”

Panel Discussion 1
Winning Through Good Governance

Corporate Governance, Strategy and Sustainability

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Board agenda dilemma...

- On the one hand
 - Policy and **Strategy**
 - Senior **management selection** and **remuneration**
 - **Capital Structure**, M&A
 - Control & **Risk** management
 - **Company value** (different from shareholder value...)



- On the other hand
 - **Understand** and respond to changing **stakeholder** expectations of the role of business
 - **Communicate** realistic expectations of what business can and cannot achieve, and what they consider to be the responsibilities of others

... is a false dilemma

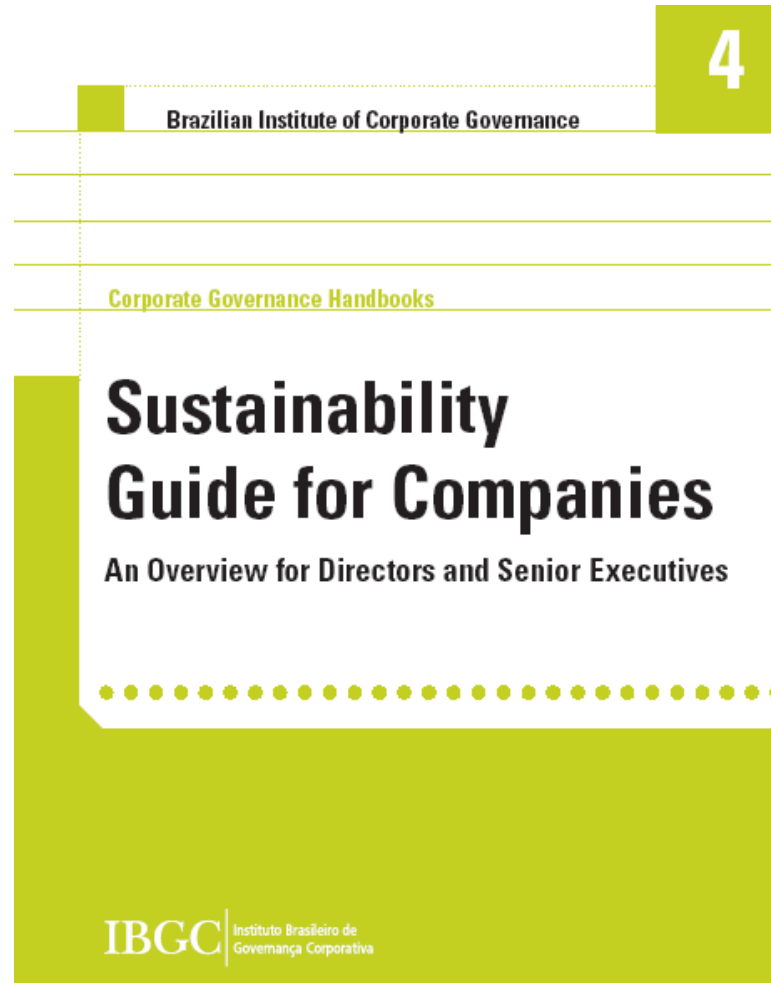
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Strategic Issues

Corporate Governance Handbooks



Correlation matrix: business & sustainability

Results \ Actions	
Business Success factors (economic value)	
Tangible	Revenue and market access
	Cost efficiency & effectiveness, and productivity
	Asset management
	Access to capital (investments)
	Risk management
Intangible	Social licence to operate
	Human capital
	Brand
	Reputation

Correlation matrix: business & sustainability

Results \ Actions		Sustainability Factors			
		Commitment to Sustainability	Relationships, recognition of impacts and dialogue with respect		Nature of operations
Business Success factors (economic value)		Principles, purpose, vision	Corporate Governance	Engajement of other stakeholders	Products, processes, business models
Tangible	Revenue and market access				
	Cost efficiency & effectiveness, and productivity				
	Asset management				
	Access to capital (investments)				
	Risk management				
Intangible	Social licence to operate				
	Human capital				
	Brand				
	Reputation				

Foreword by Mervyn E. King



- Chairman of the **King Report** on Corporate Governance in South Africa
- Chairman of the Board of the **GRI – Global Reporting Initiative**

Governance, Strategy and Sustainability

- ... a board of directors has a positive duty to give strategic direction to a company.
- **In developing a strategy for the company**, both short- and long-term issues have to be considered. In considering the latter, **one has to take account of sustainability issues.**
- It follows as a matter of logic that **governance, strategy and sustainability have become inseparable.**
- **One can no longer plan strategically without having regard to sustainability issues.**

Strategy, Finance and Governance

- Strategy: Peter Drucker
 - To **remunerate its cost of capital**, otherwise it is irresponsible
 - To **take responsibility for its impacts** (society, environment)
 - **Society will increasingly demand more from companies**
- Finance: C.K. Prahalad
 - **Capital** markets (**investors**)
 - **Product** markets (**consumers**)
 - **Labor** markets (specialized **talent**)
 - **Technology** markets (**suppliers**)
- Governance: Sir Adrian Cadbury
 - **Demands** of society may lead to **changes in the corporate design**
 - **Sustainability: the main challenge of Corporate Governance**

Triple Bottom Line and Governance

- Sustainability Issues: ESG
 - Debt providers: Equator Principles
 - Institutional investors: PRI (Principles for Responsible Investment)
 - Sustainability Indexes (DJSI, ISE)

The Five Capital Model



Triple Bottom Line and Governance

- Sustainability Issues: ESG
 - Debt providers: Equator Principles
 - Institutional investors: PRI (Principles for Responsible Investment)
 - Sustainability indexes (DJSI, ISE)
- GRI: reporting of sustainability issues
 - **Identify** relevant (strategic) issues
 - **Quantify** whenever possible
 - **Communicate** in a structured way (benchmark)
 - Promote **transparency & accountability** (good governance)
 - **Anticipate** risks & opportunities

Thank you!