

# Platform for an Inclusive, Green and Responsible Economy

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DE EMPRESAS E RESPONSABILIDADE SOCIAL

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## 1 Introduction

This platform shows the vision and goals of the Ethos Institute – Business and Social Responsibility, its institutional partners and its strategy partner, described herein, based on a broad consultation and discussion process with the associate members and partners of the Ethos Institute, participants in the Brazilian corporate social responsibility (CSR) and sustainability movement.

The reflections and discussions carried out during the annual meeting of the Ethos Institute's International Board and in the 10th Ethos International Conference, in São Paulo, in May 2010, have brought relevant contributions to this document, which was finalized by a consensus among the companies participating in the Ethos' 10-Year Plan Guiding Council.

This platform will be used by the Ethos Institute as a basis for the development of its activities. It will remain open to suggestions from associate members and partners, and it may be periodically updated to incorporate current reflections.

## 2 Context

Over 40 years after the historic meeting that founded the Club of Rome, the discussions about the global business system's ability to expand created the concept of "low carbon economy", which was quickly absorbed into the business environment due to the ongoing concern of the global society about climate change and its consequences.

Almost 20 years after the Earth Summit-92 and two decades of intensive research on climate change, mankind is beginning to understand the need to rationalize the use of natural resources and to acknowledge the value of ecosystem services. The concern about environmental sustainability is therefore increased beyond the effects of global warming, and gradually incorporates the need for a comprehensive systems approach to the limits of natural resources and to the impacts of human activities on ecosystems and ecosystem services.

In the business environment, this increase is translated by the growing assimilation of the "green economy" concept, which incorporates and goes beyond the "low carbon economy" concept. It stands out in the market the movement of countless companies with research and development of technologies and low environmental impact products, seeking to strategically position themselves in the expanding "green products" market.

However, worldwide social inequalities continue to be the main limiting factor for wellbeing improvement, hindering the enjoyment of economic and technological advances reached in recent years. This is evidence that the model based on unlimited exploitation of the planet's resources, besides not responding to the current human needs, points a gloomy picture for the future generations. It no longer makes sense, in

any economic system, to consider any planning proposal that does not address sustainability.

Brazil – who is the owner of a large social diversity and of the greatest biological diversity in the planet, and has increasingly positioned itself as a major protagonist in global business – needs to quickly move towards new paradigms. Just when it presents itself as a candidate for playing a key role among emerging countries in the new world order, it needs to offer itself as a key part of solutions for the major challenges of mankind.

Brazil has the potential to be a leader in the new economy because it has natural capital, biodiversity, social diversity, well-balanced energy matrices (the electric matrix being predominantly renewable), controlled inflation, democratic environment, a recent process of growing social mobility of the poor, a national climate change policy, a national solid waste policy, a regulatory consumer protection framework, an advanced stock market and a competitive banking system, among other potentialities.

Such conditions provide an excellent stepping-stone to leverage the necessary actions to improve education, healthcare, public safety and law enforcement services; to enhance sanitation and transportation infrastructure; to strengthen transparency and anti-corruption actions; to reduce income and opportunity inequalities; and to perfect programs including innovation incentive ones, promotion of equal access to civil rights, improvement in public management, and increased presence of government tools in communities inhabited by low income populations.

In this context of potentialities and challenges, there are many scattered and fragmented initiatives in society, in government agencies and in market organizations that would become more central in the economy if they were articulated by a national sustainable development project guided by a vision of the future that could bring together and mobilize the drivers of change towards a converging direction.

## Vision

Since the Ethos Institute created the first corporate social responsibility indicators at the end of the 20<sup>th</sup> Century, it has been noticing advances in the standards of business and public policy. The creation of tools able to identify and accredit companies that work for sustainability has produced some results, but convincing businessmen and investors to voluntarily comply with these standards has not been enough. Good practices must be turned into rules and consolidated as a general standard through public regulations and/or market self-regulation. In this sense, although social responsibility is a valid path, it needs to be articulated with public policy to consolidate the change.

With the inducement of public policy, the organizations already committed to part of the necessary changes would help engage the whole market in structural actions that would lead to important changes in the profiles of production, consumption and income distribution. In other words, articulating currently existing mechanisms that accredit and award voluntary actions of companies and that implement sustainability policies with appropriate public policy not only would contribute to significant advances in implementing a “low carbon economy”, but would also allow rising above this level, which is below the real needs of the planet and society.

Our objective can and must be comprehensive and ambitious: creating an inclusive, green and responsible economy.

A green economy seeks to ensure a friendly relationship between society’s production processes and the natural processes, fostering the conservation, recovery and sustainable use of ecosystems, and addressing ecosystem services as financial assets of public interest.



Such economy must be characterized by public and private investments, by rules, institutions, technologies, public policy, government programs and market practices aimed at:

- Continuous improvement of production processes;
- Increased ecoefficiency and reduced consumption of natural resources;
- Reduced greenhouse gas emissions;
- Transformation of process waste into input to other processes;
- Incurring the costs of externalities in the prices of products;
- Protection of springs, effective use of water and universal basic sanitation;
- Increased energy efficiency and share of clean and renewable sources in the energy and transportation matrices;
- Greater mobility and effectiveness of means of transportation;
- Recovery and preservation of ecosystems; and
- Mitigation of climate change effects.

However, the economy also needs to be inclusive, that is, public and private investments, rules, institutions, technologies and programs must also aim at meeting the needs and rights of all human beings, otherwise healthy social environments will not be available for any production activity. The economy should, therefore, promote development with well-balanced financial, human, social and natural capital.

This objective also includes equitable distribution of wealth and of opportunities to generate income and access to public goods and services, thus ensuring decent life conditions for all the population, eradicating poverty and reducing social inequalities, which requires an increase in the participation of the bottom of the pyramid in the production process and in the goods and services market, improvement in workforce capacity-building and employment relations so that human rights become a reality for the entire Brazilian society.

Besides being inclusive and green, the economy should be responsible. Ethical values and integrity, together with the themes of green and inclusive economy, should also be addressed. The development of ethical values, transparency and anti-corruption mechanisms are paramount so the objectives of an inclusive, green and responsible economy can be achieved.

An economy that follows high ethical standards includes:

- Countering corruption and impunity;
- Valuing integrity and transparency;
- Encouraging fair competition;
- Encouraging cooperation;
- Respect to the business laws and rules; and
- Respect to the rights of different communities, ethnic and social groups to adopt the contemporary lifestyle in their own pace.

In this economy, the sustainability vision is complemented by the commitment to not allowing private interests to take precedence over public interests, and to keeping these standards in any investments, establishing ethical relations regardless of the level of local demands.

The inclusive, green and responsible economy that has become imperative so the world can face environmental, social and ethical challenges should be guided by two strategic factors: values and innovation. We must develop values to support attitudes that will unveil new fields of vision, of knowledge production and sustainable behaviors. Furthermore, we must stimulate greater investment in research and development of new technologies, commercial/production processes and relations, fostering a cycle of innovation in the search for sustainable systems of production, distribution and consumption of goods and services.

## **The path**

How can Brazil be led to a vision of sustainable country and the population become engaged in this purpose?

The country must grow with inequality and poverty reduction based on an economic model in which processes, products and services are designed to preserve the planet's ecological integrity. In addition, an equal opportunities strategy will enable the promotion of a balanced development of communities providing sufficient income generation for a decent life and access to fundamental rights and conscious consumption in an atmosphere of trust, dialogue and democracy. This is achieved through transparent and ethical relations between public and private sectors and society.

This mission should result from the effort of society as a whole and the whole political system with a cross-party approach.

Nationwide mobilization is required around a long-term national sustainable development project. For this end, a convergent platform including the various initiatives of society and the renaissance of the long-

term planning process are required. We believe the country will be able to build in the next ten years an inclusive, green and responsible economy and that this vision is strong enough to galvanize efforts from society and engage major social, business and political actors in the development and implementation of this national project.

The development of a new economy with the above mentioned characteristics requires the enhancement of the political and economic processes as well as processes of building knowledge and creating culture in our society.

### **Sustainability culture**

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We believe it is imperative to help make public policy, institutions, public programs and business practices able to inform formal and informal processes of development of knowledge, attitudes and behaviors, aiming to promote the creation of a sustainability culture based on ethical, humanistic and democratic values and guided by a vision of wellbeing, quality of life and progress, which values the Brazilian citizenship, social diversity and biodiversity. The educational system should be ready to forge a set of values for a sustainable society, thus fostering the development of social awareness that calls for changes as a new paradigm. It should promote knowledge building, social awareness raising, and innovation.

The development of a sustainability culture will increase the level of demand from citizens and organizations regarding public-private goods and services and will, therefore, broaden the range of products and business behavior differentiation. In order to achieve this, it is necessary to:

- Create values that inform visions that correlate individual interests with a socially responsible and sustainable behavior;
- Develop and disseminate to citizens (investors and consumers) information and knowledge about costs and benefits of changes in processes, products and behavior;
- Produce and disseminate information about the sustainability features of products and services;
- Develop information review and assessment capabilities.

## Improving the political process

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A new agenda of actions strong enough to carry out the transition to the new economy will only be possible with the sound support of society. It is paramount to improve the political process – including representation and participation – and to strengthen public management by developing the culture and tools to integrate its entities around plans and projects aimed at sustainable development. These objectives include the improvement in services of regulatory agencies and the role played by state owned companies, public and mixed capital ones.

Therefore, we need to find ways to contribute to strengthened democratic institutions, valued public services, strengthened citizenship, prevalence of public interest, anti-corruption actions, end of impunity, promotion of social justice and improved societal participation and monitoring mechanisms regarding the decisions of public agents and the market.

## Agenda for a new economy

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Improving the processes that regulate the operation of the economy and inform public and private investment decisions is not only desirable but also critical so the country can tap into its potential to make way for the development of an inclusive, green and responsible economy, coupling ethical and social dimensions with the global trend of economic growth with low environmental impact.

The establishment of new rules and the review of old ones through legal regulations and incentive to self-regulation are fundamental so the sustainability and social responsibility vision can be consolidated in the market and public management. Government – in its role as an opinion-maker, regulator and coordinator – should carry out actions that bring market pricing, punishment and reward mechanisms into the path of sustainable development.

Such actions include:

- Review of the tax system to reduce the tax burden and, at the same time, enable pricing of ecosystem services, incurring of costs of social and environmental externalities of products and services, and increase in competitiveness of labor costs, clean and renewable sources of energy and more efficient means of transportation;
- Guidelines for public expenditure and investment that promote the development of markets for sustainable technologies, products and services;
- Guidelines for state owned companies, public and mixed capital ones, so they can be a role model in the creation of a market benchmark in sustainability policies and practices;

- Grants for sustainability-oriented research and innovation;
- Government programs to foster education for sustainability and labor capacity-building towards a green economy;
- Development and dissemination of metrics and criteria to help the market select sustainable companies, technologies and products; and
- Systems to publicly recognize and value inclusive, green and responsible market initiatives and practices.

## **5 Performance strategy**

In order to build the vision for an inclusive, green and responsible economy, a set of actions should be developed as part of a broad national and cross-party agenda. This agenda should result from a broad social mobilization process involving major drivers of change able to influence market policies and mechanisms that support and guide economic processes.

For this purpose, the objectives described herein will be worked on and turned into critical themes addressed in a set of projects. These critical themes, as well as the whole platform will always be open to discussion and contribution from society so as to keep them updated and aligned with upcoming challenges.

Each critical theme will be addressed in one or more initiatives, such as:

- *Business practices improvement* – developing initiatives in partnership with associate members to implement and improve sustainability practices in their own business and their value chains;
- *Contribution to public policy* – through a voluntary set of commitments made and goals set by companies, contribute to government regulations and programs in a way that the whole market moves towards the standards adopted by the companies that publicly made the commitments;
- *National agenda for a new economy* – fostering and organizing collective and quadripartite (government, business, workers and civil society) action, for building an agenda that promotes the transition to the new economy. This platform aims to inspire these organizations to pursue this objective;
- *Global mobilization* – translated into the proposal of building the movement called União Global pela Sustentabilidade (Global Union for Sustainability), an initiative aimed at influencing the global governance and inspiring concrete actions from business and public leaders as well as from society as a whole regarding the critical themes of this platform. The first meeting of the Global Union for Sustainability is expected for September 2011 and its primary goal is to influence the Rio+20 Earth Summit in 2012, helping to organize other similar activities;



- *Values* – creating values that inform and support visions, attitudes and behavior, necessary for the transition towards the new economy;
- *Innovation* – investing in the development of technologies, processes and products, to achieve incremental improvement and break paradigms and standards.

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