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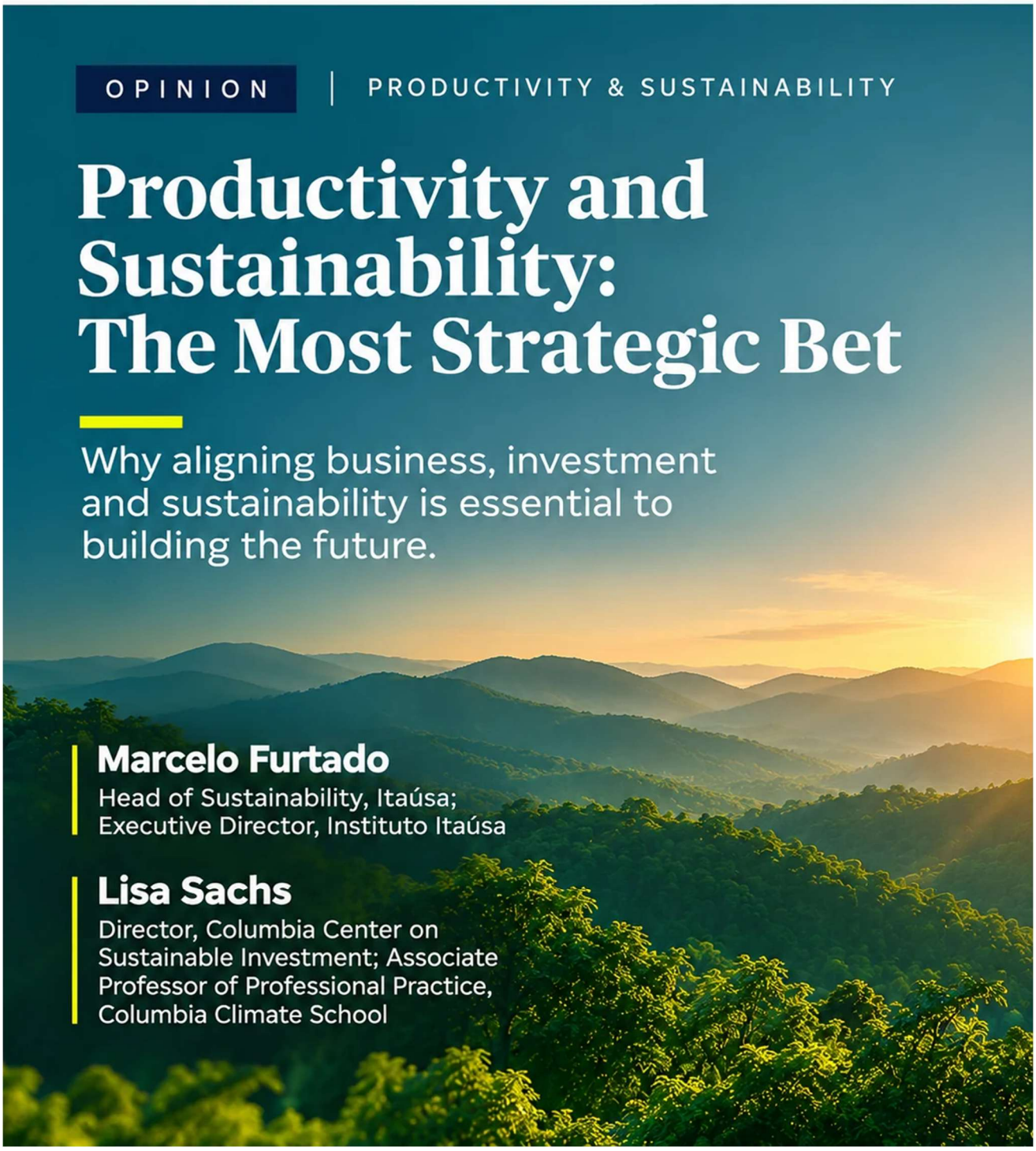
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OPINION | PRODUCTIVITY & SUSTAINABILITY

Productivity and Sustainability: The Most Strategic Bet

Why aligning business, investment and sustainability is essential to building the future.



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OPINION

Productivity and Sustainability: The Most Strategic Bet

The bottleneck is not capital, but how projects are structured, risks are allocated, and stakeholders are coordinated to deliver.

A dialogue between Marcelo Furtado of Itaúsa and Lisa Sachs of the Columbia Center on Sustainable Investment.

The dialogue below grew out of an executive conversation held on August 20 at Itaúsa headquarters on Avenida Paulista. Organized with the Columbia Global Center Rio de Janeiro, the meeting brought together leaders from the private sector, academia, and the sustainability field under the theme "Responsible Business in an Era of Transformation: Productivity, Sustainability, and Global Investment."

Marcelo Furtado: There is a comfortable but mistaken idea in the Brazilian debate: that protecting the climate and nature is a cost paid for with growth. We believe the opposite. Treating productivity and sustainability as a trade-off may be the costliest analytical mistake we make. Brazil does not need an innovation miracle to grow; it needs to stop wasting resources. The money exists, in private markets and public instruments. The bottleneck is no longer where capital is, but how projects are structured, risks are allocated, and stakeholders are coordinated to deliver.

Lisa Sachs: I agree. Twenty years ago, the investment required for sustainability seemed at odds with commercial interests. That has changed decisively because of how much better and cheaper relevant technologies have become in the past decade. In so many areas, we have fallen short of climate and societal goals; the one area in which we have consistently exceeded what we thought possible is technological development. In many sectors, building better systems now aligns with commercial opportunity. But the fact that better systems are possible and compelling does not mean they happen automatically. We now need *systems* innovation to complement the technological innovation! Different business models, coordination across disciplines and actors, and breaking down the many silos in which we work.

Marcelo Furtado: That is why sustainability is no longer a department. People say the function is shrinking; the evidence shows something else. It is merging with the rest of the organization and becoming a way of thinking. In the debate over a super El Niño, the question is how much to invest to avoid risk and how much to invest to make the business resilient. With the cost of capital as high as it is in Brazil, this is not merely a sustainability issue; it is a financial one. The topic has moved out of the committee room and into capital allocation.

Lisa Sachs: I wish that more companies saw sustainability in the same way: as a way of aligning the future of one's business with the future society wants or needs. So frequently, panels and reports ask whether "sustainability creates value." The error in that question is in not defining sustainability. Of course, a great deal of financial value is created through destructive or extractive activities. And so much of what a livable, peaceful, prosperous society requires does not necessarily create commercial value (though it creates huge returns to society). I like the way you have framed it: the useful question for businesses is where value will be created in the world ahead, how to be at that frontier. It also means being attentive to how risks to the business are evolving so that they can be anticipated. That is good business: it will create and preserve commercial value, anchored in societal values.

Marcelo Furtado: At a roundtable like this one, the world's largest capital allocator was asked what his portfolio would look like in five years. His answer was: "Half of what we hold today did not exist ten years ago, so I honestly do not know." He did not seem frightened; he seemed to have a strategy: one eye on the world and one eye on the business. Our shareholders judge us over decades, not quarters. A portfolio that touches water, energy, mobility, materials, and the financing of the real economy does not treat nature as an abstraction; it shows up in the cost of capital, asset resilience, and returns.

Lisa Sachs: You're also emphasizing an important point: that what produces the outcomes we assess are *systems:* the way that companies interact with their ecosystems, the public sector, their communities, and other sectors. A categorical error of many of today's sustainability frameworks and metrics is that they operate at the entity level, but systems are not built or transformed by aggregating individual entity actions; and in fact, one company optimizing for itself can shift risk and impact to others. A far more effective approach – for companies and society alike – would be to orient toward the systems, both as they exist and as we want them to change. Corporate alignment would require understanding a company's relevant systems, including understanding how those systems are evolving. Leadership means accelerating the transformation of our systems, orienting other actors toward what better looks like, and collaborating across sectors and silos to draw that future closer.

Marcelo Furtado: That was our starting point. In Brazil, there is a well-established field that has debated productivity for more than fifty years and another, equally well-established field that has debated sustainability for more than fifty years, yet they do not talk to each other. They talk at each other, almost always competitively. We propose looking at the two themes as interdependent, across three pathways: food systems and land use; urban systems; and the energy and materials transition. This is where the foundations of the Brazilian economy lie.

Lisa Sachs: Those are three very important pathways that, together, are responsible for much of today's emissions. At the same time, those systems are also facing increased risks from the changing climate. This raises another important point: as impacts across all of these systems intensify, some are asking whether we should shift focus from mitigation to resilience. That's like suggesting to a sick patient that we switch from treating the disease to managing the symptoms. Merely managing symptoms kills the patient. Our patient, the planet, is quite sick, so we need to do both: manage the impacts while getting even more serious about treating the disease. The longer we delay, the harder and more costly both challenges become.

Marcelo Furtado: We see important areas in which mitigation overlaps with resilience. With the war in Ukraine, fertilizer costs soared and became a problem even for large producers. In Goiás, major farmers adopted biological inputs, taking chemicals out of their production technology. Productivity rose because roots grew deeper, and crop resilience to droughts and floods increased. We asked whether they would go back once prices normalized. They will not: it makes commercial sense, and the lower carbon footprint brings them closer to meeting requirements such as the EUDR. Interestingly, they reject the label "regenerative agriculture"; they say they practice "technology-based agriculture."

Lisa Sachs: That is an argument for pragmatism. The alternative, cleaner systems that we want to build will only take hold when they are more compelling on their own terms: more affordable, competitive, resilient, and reliable. The farmers stayed with biological inputs after fertilizer prices fell because the inputs made more sense on their own terms. Other systems can be *made* to be compelling, but there are hurdles we need to address together: considering how risks are assessed and allocated, how different parts of a system can move together as each part depends on another, and the ways in which the public sector and private sector complement each other. Some people suggest my pragmatic approach reduces ambition; I see it as exactly the opposite. It is precisely because I want solutions that will succeed and scale.

Marcelo Furtado: Where we may differ is on valuing nature. It is recognized as our comparative advantage, but we have not managed to turn it into revenue. Without capturing value from ecosystem services and the standing forest, neither we nor nature will survive. Just as someone technically builds an energy system, someone technically keeps the forest standing. That flow of money needs to exist.

Lisa Sachs: The most important point here that we rarely recognize is that forests, unlike energy systems, are public goods. Public goods are goods that should be, or necessarily are, available to everyone in a society, and are not provided only to those who pay. Public goods will never be adequately financed by the private sector, unless the public sector is willing to transfer a return to investors from society! For a public good, the right question is how to finance it, not how to monetize it. There are plenty of many ways that public goods can be financed, but the approaches dominating discussions today – valuation metrics, carbon markets, tokenization – are not credible structures. This becomes even more challenging but even more important when the goods are public goods, as many forests are.

Marcelo Furtado: The confusion is part of the problem. We have a sustainable finance taxonomy that, despite its imperfections, is more advanced than many around the world and at least gives us a place to conduct the debate. But we have become trapped by the logics we created. I do not like the SBTi as it currently stands because, for nature-rich countries, it does not recognize the removals we generate, and anyone who withdraws from it is accused of weakening ambition.

Lisa Sachs: There are many deep problems with SBTi and the other frameworks as they currently stand; they are confused in their design and end up consuming a *lot* of time and resources measuring and reporting on metrics and information that is not decision-useful. More than 10,000 companies produce SBTi reports, and I don't know anyone, investor or climate advocate, who would find decision-useful information in an SBTi report, other than checking a box for compliance. In fact, most people know that, but as you said, criticizing the framework is attacked as weakening ambition. Or because most sustainability jobs focus on this reporting, there's professional risk in asking critical questions. Or people have doubts but don't know what the alternative looks like. The result is extremely pervasive frameworks standing shakily on widespread doubt. I'm focused on bringing clarity to what we're trying to achieve, so that we can be more thoughtful in how each actor can engage effectively.

Marcelo Furtado: This is where my proposal comes in. Two words emerged from our forum on productivity and sustainability: coordination and alignment. Alignment requires convergence, not consensus. It means identifying two or three items capable of bringing enough people to the table who are willing to act. That is the spirit of initiatives that bring unlikely competitors together. There is no future for the Amazon unless companies that would not normally sit at the same table can converge. Discussion and writing are valuable, but we are in a hurry to deliver.

Lisa Sachs: Convergence, yes, but around the right things, because we have already converged extensively around the wrong ones, making it even harder to think critically and do things differently. You mention the Amazon, which is a specific ecosystem, that like other systems, is shaped by many different actors, policies and evolving technologies. So that's exactly what we should do: look at each system and understand what 'good' looks like, and what would need to change to get there. It's rarely something that every actor in the system needs to do at the same time; almost always, change is achieved by a few decisive actors coordinating around decisive levers that change the system for everyone.

Marcelo Furtado: I will close on an optimistic note. Despite the public noise, many companies may be talking less about sustainability, but they have not stopped acting on it. Inside boardrooms, climate risk, the cost of capital, and the need to adapt businesses to a warmer planet continue to shape decisions. When we create an open platform with the main climate risks, accessible by mobile phone to any mayor, shopkeeper, or small farmer, and which also informs our own adaptation strategies, the reaction is: "Now you are saying something." CEOs matter; boards matter even more.

Lisa Sachs: That is why first movers matter: they show what is possible and make it easier for others to follow. What I think you have shown, which is so important, is that looking at the future for one's own business can be a North Star. What does the world look like, and what does one's business look like, that will align successfully in 20 years? What does that mean for decisions that a business makes, for what sustainability teams do, and for the partners that they work with? Those questions are far more engaging and effective than standardized reporting!