

ESG Update

Governance in Brazil: What is keeping the c-suite on watch?

Main takeaways from the 27th IBGC Congress, a leading corporate governance forum

Last week, we attended the 27th IBGC Congress, a two-day event that brought together board members and C-level executives to discuss the key trends shaping corporate governance. Technology and AI dominated the broader agenda, with discussions focusing on their growing role in decision-making and the governance risks associated with adoption. IFRS S1 and S2 also featured prominently, with companies highlighting their role in integrating sustainability into strategy and financial performance. Beyond these thematic debates, we also attended panels featuring companies under our coverage. Below, we summarize the event's key takeaways.

AI and technology in the boardroom. AI emerged as a key theme at the event, primarily discussed as a tool to enhance board effectiveness. While speakers highlighted its potential to improve efficiency, decision-making and risk monitoring, they also noted governance challenges related to confidentiality, accountability, and the use of AI in discussions involving market-sensitive information.

IFRS S1 & S2 as tools to strengthen company-investor dialogue. IFRS S1 & S2 adoption was another key discussion topic, with companies highlighting their role in linking sustainability- and climate-related risks and opportunities to strategy and financial performance. Overall, the framework supports a more forward-looking dialogue, giving investors greater visibility into strategic priorities, resilience, and future risks.

Company takeaways reinforce governance as a strategic priority. Panels featuring C-suite executives from companies under our coverage highlighted governance as an increasingly important driver of strategic decision-making, risk oversight and long-term value creation. Please refer to the following pages for our detailed company-specific takeaways.

Motiva: Miguel Setas (CEO) emphasized that transparency and early communication between management and the board are essential to strong governance. He also highlighted the company's risk-management framework, which provides directors with a comprehensive view of key risks, helping reduce blind spots and strengthen oversight.

Irani: Odivan Cargnin (CEO) highlighted that implementing IFRS S1 & S2 helped quantify a R\$307mn opportunity in sustainable packaging, translating strategic themes into measurable business value. He also affirmed the company's commitment to reporting under the framework, despite the absence of a regulatory requirement.

Banco do Brasil: Tarciana Medeiros (CEO) highlighted the integration of AI into governance through ethical guidelines and board-support tools, while keeping human judgment central to oversight. She also emphasized that boards should reflect the diversity and realities of the organizations they oversee, as diverse perspectives support stronger decision-making.

Petrobras: Given the company's 50k employees and 273k suppliers, Ricardo de Araujo (Governance Director) emphasized that effective governance depends on people, early risk identification and value chain accountability. He also highlighted public commitments as a way to translate these principles into measurable actions.

Itaú: Luciana Nicola (Institutional Relations & Sustainability Director) noted that climate-risk analysis, particularly for financed emissions (Scope 3), is constrained by limited company-specific data, reinforcing the push for broader adoption of IFRS S1 and S2 reporting.

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Motiva: Transparency between management and the board remains the cornerstone of effective governance. Miguel Setas (CEO) emphasized the importance of an open and timely flow of information between management and the board. He highlighted the evolution of Motiva's risk-management framework from largely qualitative classifications, such as "low" or "high" risk, toward a more structured methodology that seeks to quantify and price exposures. In management's view, this approach supports more informed decision-making, reduces blind spots and allows emerging risks to reach the board at an earlier stage. The objective is to provide board members with a clearer and more comprehensive view of the company's risk profile, reducing blind spots and strengthening oversight. Beyond governance, technology was also highlighted as a practical tool for addressing identified risks while improving operational efficiency. As an example, he noted that a significant share of toll-plaza accidents occur when employees leave their booths and become exposed to vehicle collisions or slips and falls. In this context, automated tolling solutions can reduce workers' exposure to these higher-risk activities, while reskilling and redeployment programs support their transition into other roles.

Irani: IFRS S1 and S2 disclosure is strengthening strategic decision-making and helping reduce information asymmetry. Odivan Cargnin (CEO) highlighted the company's long-standing commitment to sustainability reporting, culminating in its 20th audited sustainability report and the publication of its first report aligned with IFRS S1 and IFRS S2 during Irani Day in May. Drawing on this experience as an early adopter, he argued that the framework has proven to be more than a disclosure exercise, serving as a tool to strengthen strategic decision-making and reduce information asymmetry with investors. In his view, one of its key benefits is fostering a more forward-looking discussion of risks, opportunities and strategic priorities, moving beyond the largely retrospective nature of traditional sustainability reporting. Cargnin noted that the implementation process also helped translate strategic themes into measurable business opportunities. As an example, Irani quantified for the first time a R\$307 million opportunity linked to growing demand for sustainable packaging, converting a broad market trend into a tangible value-creation opportunity. He emphasized that IFRS S1 and S2 have become management tools that support risk assessment, capital allocation and strategic planning, rather than merely compliance requirements, and stated that the company intends to continue reporting under the framework regardless of whether the standards eventually become mandatory. A broader point raised during the discussion was the relationship between disclosure quality and the cost of capital. In Cargnin's view, more transparent, consistent and comparable disclosures help narrow information gaps between companies and investors, facilitating risk assessment and increasing confidence in corporate decision-making. Over time, this can contribute to more favorable financing conditions. As an illustration, Irani pointed to the greenium achieved in its green bond issuances, currently its sole debt financing instrument, as evidence that investors may reward issuers that provide credible and decision-useful sustainability information.

Banco do Brasil: AI can support decisions, but accountability must remain with people. Tarciana Medeiros (CEO) argued that one of the main governance challenges associated with artificial intelligence is the risk of gradually delegating judgment and decision-making to technology. In her view, AI can enhance analysis, improve efficiency and support corporate processes, but directors and executives must remain ultimately responsible for decisions, relying on their own knowledge, experience and fiduciary duties rather than on algorithmic outputs. Against this backdrop, Banco do Brasil has established ethical guidelines governing the use of AI as part of its broader data-governance framework. As a practical example, the bank is developing an AI agent to help board members review and synthesize information contained in board materials. However, Medeiros emphasized that the tool is intended to support, rather than replace, human judgment, with decision-making authority remaining entirely with directors. More broadly, she noted that AI and data-intelligence tools can help boards focus discussions on the issues most material to the business, improving the quality and efficiency of deliberations. Beyond technology, Medeiros highlighted board composition as a critical pillar of effective governance. In her view, boards should reflect the diversity and realities of the organizations they oversee, as broader perspectives tend to contribute to more robust and comprehensive decisions. As discussed in our feedback note on our meeting with Mauro Cunha ([link](#)), diversity of thought extends beyond demographics to encompass different experiences, backgrounds and perspectives that foster constructive debate and strengthen board effectiveness.

Petrobras: Governance starts with people, risk visibility and value-chain accountability. Ricardo Wagner de Araujo (Governance Director) emphasized that effective governance begins with people, risk visibility and accountability across the value chain. For a company with over 50k employees and 273k registered suppliers, keeping people at the center of decision-making is a core governance principle. He also noted that Petrobras increasingly integrates risk management and materiality assessments into decision-making, linking risks to potential business impacts to improve prioritization and board oversight. Beyond the company's own operations, Petrobras is extending integrity and ESG requirements throughout its value chain, reflecting the view that governance responsibilities do not end at the corporate perimeter.

Among the company's key public commitments, Mr. Araujo highlighted:

- (i) *achieving net-zero emissions by 2050, alongside ambitions of zero fatalities and zero leaks;*
- (ii) *reaching 30% female representation in the statutory bodies of investees, supported by targets embedded in executive variable compensation;*
- (iii) *incorporating ESG requirements into 100% of contracts within strategic categories by 2028; and*
- (iv) *ensuring that 70% of relevant suppliers publish GHG emissions inventories by 2028.*

Overall, the discussion reinforced how Petrobras is seeking to connect governance, risk management and sustainability objectives through measurable targets and accountability mechanisms.

Itaú: IFRS S1 and S2 can improve climate-risk transparency, but data quality remains a key challenge. Luciana Nicola (Institutional Relations & Sustainability Director) noted that Brazilian banks have been preparing for IFRS S1 and IFRS S2 implementation in coordination with Febraban and the Central Bank¹, with the goal of increasing consistency and comparability in climate-risk assessment across the financial sector. While larger institutions are leading the process, broader adoption is expected as methodologies mature. She highlighted financed emissions (Scope 3) as one of the main challenges for banks. In the absence of company-specific disclosures, institutions often rely on estimates based on sector averages and financial proxies, which can reduce the accuracy of climate-risk assessments and potentially overstate estimated emissions. As a result, this makes the quality of corporate reporting critical to more reliable risk analysis. When reviewing IFRS S1 and S2 disclosures, banks also assess whether companies have clear governance structures and accountability for the reporting process. More broadly, Ms. Nicola argued that the value of IFRS S1 and S2 extends beyond compliance: the standards can improve transparency, strengthen risk assessment and support more informed dialogue between companies and capital providers, while helping financial institutions engage with clients on their transition strategies. As banks prepare to report under the framework, they also have a clear interest in encouraging broader corporate adoption, given that the quality of their own assessments depends heavily on the information disclosed by their clients and investees.

¹Brazil's Central Bank (BCB) has incorporated the IFRS S1 and IFRS S2 standards into its regulatory framework through CMN Resolution No. 5,185/2024. Under the rule, covered financial institutions must disclose sustainability-related financial information as part of their annual consolidated financial statements, following CBPS 01 and CBPS 02, the Brazilian equivalents of IFRS S1 and IFRS S2. The requirements cover material sustainability-related risks and opportunities, with a specific focus on climate-related disclosures under IFRS S2.

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