



# ESG

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE

DEMAREST

# The importance of ESG in companies

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Environmental, social and, corporate governance (“ESG”) matters have rapidly become a top priority for partners and high-level management of numerous companies.

Such companies, alongside their managers and partners, are increasingly aware of their role in society. As such, they seek economic growth based on standards that don’t conform to mere compliance with the legislation but rather pursue the direct and indirect benefits of including or increasing the influence of ESG criteria on how to carry out their business.

Market developments and pressure from society have made clear that social and sustainable investment goals must be aligned with the companies’ financial objectives. Nowadays, for any company, excelling at ESG criteria is a matter that extends far beyond the scope of reputation – it means boasting an increasingly superior indicator of diligent management and a potential for long and even short-term financial return.

In addition, numerous factors have been stimulating society’s commitment to ESG criteria, such as the financial market, national and international independent forums, ministerial discussions in Brazil and worldwide, as well as foreign investors. Consequently, such factors have increased the attention to topics such as zero carbon or, at the very least, the reduction of carbon emissions, differentiated financing and business impact analysis.

Moreover, ESG criteria have been increasingly taken into consideration to assess the financial solvency of funds and companies, as well as to evaluate how prepared or “resilient” such investments are to overcome challenges and offer long-term return. Many investors want to contribute with their own capital or capital managed from third parties as a way to foster sustainable socioeconomic development and positively impact society, with a view to the present and future generations.

New international and national regulations have progressed swiftly, as well as voluntary standards for corporate, social and environmental governance best practices, thus increasing the concern of the parties involved in regard to ESG matters.



## Main reasons to invest in ESG



45% improved long-term return



59% branding and reputation



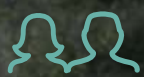
39% mitigation of investment risks



46% pressure from internal parties

Source: BNP – The ESG Global Survey 2021

## Investments



Investments in gender equity among leadership roles increase by

21% the chances of profitability growth



Investments in ethnic and cultural diversity in leadership increase by

33% the chances of profitability growth

Source: McKinsey & Company – Delivering through Diversity, 2018

## Major obstacles to ESG integration



54% Data inconsistency among classes of assets



51% Challenges of quality and consistency of data



44% Lack of standard in ESG metrics - conflicting ESG rankings/ratings



13% Need of advanced analytical skills - ineffective data for assessments

Source: BNP – The ESG Global Survey 2021

## Developing ESG integration



40% Provide training on ESG principles



34% Hire or increase the number of ESG consultants\*



29% Hire ESG talent with unconventional professional experiences\*

\* Survey respondents can choose more than one option.

Source: BNP – The ESG Global Survey 2019

# How we can help

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Our target is to assist our clients in developing strategies to improve or integrate ESG criteria within their activities, such as:



Develop and launch investment structures and instruments that foster positive social and environmental impacts



Monitor internal procedures of the company and its supply chain



Analyze portfolios and make better investment decisions



## ESG procedures and advising strategies for our clients:

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### IDENTIFICATION

Identifying the applicability of ESG criteria for the company and other stakeholders, including investors and financial institutions, through the support of our multidisciplinary team that remains consistently up-to-date and informed on major ESG trends and on the potential benefits of implementing ESG criteria, such as the company's development and improved positioning within the market, all the while seeking to increase positive impacts, mitigate risks to reputation and stimulate long-term return. ESG criteria have gradually drawn greater interest from consumers and investors, which results in greater expectations regarding their implementation and, consequently, also brings reputational risks to non-adhering companies.

Accordingly, in addition to identifying initial relevant aspects, we provide our clients with updates focused on ESG matters, in order to highlight the positive exposure of companies to such ESG criteria, including for the development of new projects.





## ASSESSMENT

Assessing the current status of the company and its value chain regarding compliance with ESG criteria, including the analysis of potential results for other stakeholders, such as investors and financial institutions. Each company is at a different stage in regard to ESG criteria. Therefore, we offer legal audit services to our clients in order to assist in assessing the company's degree of compliance with ESG and, consequently, the risks and opportunities to which the company is exposed, as well as assisting in the procurement processes of other companies, among other M&A operations, in addition to operations in the financial and capital markets, including investment funds.

Our lawyers are qualified to:

- (i) identify legal risks regarding each ESG matter; and
- (ii) draft or revise contracts (commitments, statements, guarantees) or announcements (required by capital markets regulation), in regard to ESG aspects of the company or industry in question.



## STRATEGY DEVELOPMENT

Identifying the company's strengths within the scope of ESG criteria, as well as opportunities for improvement. Based on the audit carried out with companies and investors, we can spot areas of improvement to ensure better compliance with ESG criteria and, subsequently, develop appropriate strategies to carry out the necessary adjustments. In addition, our ESG team advises companies, investors, financial institutions and other stakeholders on defining a strategy to design and develop, launch or analyse investment structures and instruments that bring positive impacts from social, environmental and sustainable perspectives.



## INTERNALIZING ESG

Developing an internal culture that stimulates the company's regard for ESG matters. We advise companies on the integration of ESG factors into their internal and external practices, offering training to our clients on relevant aspects, and assisting companies in the process of acquiring knowledge on the topic and adjusting to ESG criteria.



## IMPLEMENTATION OF ESG MEASURES

Improving and integrating ESG criteria to company practices. We adapt our services according to each client's specific demands. Subsequently to evaluating the company's adjustment to ESG criteria and assessing potential strategies for compliance with legal requirements, corporate standards and existing voluntary criteria, we seek to provide all the assistance our clients need in order to successfully meet their target of increasing ESG criteria integration within the company.



## REPORT

Structuring information on compliance of the company with ESG criteria, for reporting purposes, to the market, financial institutions, investors, among others. We support our clients in the structuring of legal and voluntary reporting aspects, in compliance with existing standards and with the requirements of the Brazilian Securities and Exchange Commission (CVM), the Central Bank of Brazil (BACEN), the Superintendence of Private Insurance (SUSEP), among others.



## ACCREDITATION

The firm's assistance through each previous step enables the company to comply with ESG criteria, thus contributing to its accreditation, which is increasingly relevant for reputational purposes and in the financial market.

# MAIN CHALLENGES IN COMPLIANCE WITH ESG CRITERIA

## ENVIRONMENT



Reducing pollution



Water: Access and quality assurance



Recycle, reuse, reduce



Natural resource management



Circular economy



Biodiversity

## SOCIAL



Health and safety of employees and the population



Child trafficking and labor



Human rights



Relationship with employees and clients



Modern slavery



Conflict zones



Involvement of interested parties and the community



Relocation and moving



Improvement of quality of life



Supply chain management and Compliance



Renewable energy



Reducing and compensating emissions



Climate change



Avoiding land use and deforestation



Green economy

## GOVERNANCE



Practices against bribery, corruption and money laundering



Gender and hierarchy pay gap



Payment of executives



Diversity and inclusion



Financial and business reports



Data protection and cybersecurity



Greater transparency



Duties and responsibilities of directors and officers



Risk management and oversight



Age Diversity

# Our ESG practice

## Services we provide across different practices

### Sustainable Finance



Legal structuring within the scope of green, social, sustainable and transition bonds, including investment funds, securitization, fixed income, hybrid and equity bonds (such as Private Equity Investment Fund - FIP, Real Estate Investment Fund - FII, Investment Fund in Agroindustrial Productive Chains - FIAGRO, Credit Receivables Investment Fund - FIDC, debentures, green bonds, Real Estate Receivables Certificate - CRA, Agribusiness Receivables Certificate - CRI, Green Rural Product Note - Green CPR, among others).



Structuring and implementation of Regenerative Finance projects (ReFi), including through Decentralized Autonomous Organizations (DAOs).



Project financing procedures and collecting investments based on ESG criteria, including the use of mineral rights as financial guarantee.



Auditing and interest in private Retirement Funds that contemplate the provision of services and products aligned with ESG criteria.



Development corporate structures aimed at internalizing ESG criteria within the decision-making process of companies and shareholders, including for investments.



Identification of tax impacts of corporate, fundraising and investment structures for sustainable, social and green activities, as well as bank financing, loans with multilateral agencies, investment funds (such as FIAGRO, FIP, FII and FIDC), and other innovative financing structures.

### ESG Projects and Transactions



Due Diligence procedures to verify compliance and exposure of clients and respective supply chains and relevant companies, regarding ESG criteria (IFC, GRI, SASB, ODS, among others), as well as to establish risk mitigation strategies.



Internalization of ESG criteria and advertising compliance with such criteria, in order to support clients' inclusion in local and international markets that are more demanding compared to Brazil, with the purpose of avoiding obstacles and ensuring better positioning of the company before stakeholders.



Prevention against anticompetitive practices and competition risks in sustainable business projects or in the implementation of ESG practices.



Legal structuring of sustainable projects and development of strategies to enter the market of carbon credits, RenovaBio (decarbonization credits), I-Recs (renewable energy certificates), and GAS-Rec.





Projects involving the reusing of waste, energy transition, carbon credits and carbon offsetting, in addition to projects related to blockchain technology and obtaining green/sustainability certifications.



Carbon credit token offerings, reverse logistics and other ESG matters.



Alignment of labor practices with ESG criteria within each sector, such as:

- due diligence to establish potential risks; and
- measures aimed at complying with ESG criteria, including health and work safety.



Rewards programs aligned with ESG practices and projects involving affirmative actions.



Policies to foster gender equality regarding job positions and pay.



Projects involving generation, autoproduction and/or distribution of clean energy from renewable sources, including the structuring of projects to install, operate and maintain incentivized energy generators, consequently decreasing the consumption of energy from non-renewable sources.



Bidding procedures and public-private partnership projects aimed at stimulating energy efficiency and reducing energy consumption from non-renewable sources.



Structuring and reorganization of mining projects, including adjustment to the frequent changes in legislation regarding ESG criteria.



Protection and registration of sustainable and green trademarks and patents, as well as the development of policies and projects involving science and technology, innovation and diffusion, within the socio-environmental scope.



Registration of products and trademarks that involve indigenous tribes, *quilombolas* and traditional communities, considering boundaries regarding their respective rights and the protection of their culture, including within the scope of intellectual property, ownership and personality rights, among others.

# Our ESG practice

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## ESG Projects and Transactions



Validation of the company's compliance with ESG criteria in public contracts.



Creation of corporate structures, including foundations and associations, as well as drafting and revising contracts and articles of incorporation, shareholders and partners agreements, and internal policies and bylaws, for governance entities.

## Data analysis and Publication and Risk Management



Drafting and revising reports and sustainability policies, including the announcement of ESG-related information required by the Brazilian Securities and Exchange Commission ("CVM").



Validation of the company's compliance with rules of the regulatory, banking and capital markets sectors in regard to ESG criteria, including rules related to the drafting of a Risks and Social, Environmental and Climate Opportunities Report (GRSAC Report), and additional rules provided by the Central Bank of Brazil and CVM, among others.



Drafting ESG policies (for clients and related parties, such as suppliers), including policies aimed at complying with targets of the client, investors and shareholders, regulatory bodies or entities of the National Financial System (such as the Social, Environmental and Climate Responsibility Policy of the Central Bank).



Analysis of ESG risks of financial institutions, insurance companies, open supplementary private pension entities (EAPCs), capitalization companies and reinsurers supervised by SUSEP.



ESG benchmarking to define ESG best practices and trends throughout several sectors and locations.



Assessment of ESG reports and advertising campaigns – taking greenwashing and socialwashing risks into consideration –, and establishing strategies to mitigate and manage risks.



Projects, products, services or advertising campaigns that involve traditional communities, *quilombolas* and indigenous tribes communities.



Collecting information to analyze the opinions of antitrust authorities in regard to opportunities or obstacles from markets that involve ESG and sustainable businesses.



Mapping risks and impact of new mineral regulations to ongoing projects, as well as to greenfield projects, involving ESG criteria.





Monitoring of compliance with ESG criteria, Letter of Commitment of the Brazilian Institute of Museums (IBRAM) and of other international entities, in addition to contributions from the mineral sector to achieve the UN Sustainable Development Goals.



Closing of mines, relationship with landowners and communities, as well as monitoring compliance with legal requirements of the management of dams and structures used for waste disposal, in addition to adapting voluntary criteria based on best international practices.



Development of innovative and technological solutions to maintain or establish good ESG practices, taking into consideration data protection, privacy, technology and cybersecurity matters.



Development of cloud computing practices, including the identification of risks and opportunities of using such tools in regard to ESG matters.



Assessment of opportunities, and identification, mitigation and management of risks related to the use of technology in our clients' systems, including within the scope of diversity and inclusion, through the use of artificial intelligence.



Specific procedures and control to identify, assess, measure, resolve, monitor and report social, environmental and climate change risks.



Identifying risk concentration limits and restrictions to carry out business, taking into consideration the exposure of different economic sectors, locations, products or services to social, environmental and climate change risks by insurers.



Duties and responsibilities of the associations' professionals before governance entities.



Carrying out training to combat harassment and discrimination.



Implementing labor compliance practices, such as reporting channels.



Investigation of complaints against harassment, discrimination and/or other practices that violate labor laws.

# Our ESG practice

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## Data analysis and Publication and Risk Management



Establishment of Compliance Risk Assessment procedures aimed at ESG matters.



Drafting of code of conduct and human resources policies, in order to establish a culture of integrity and ethical behavior.



Development of compliance programs against criminal activity (bribe, corruption and money laundering).



Implementation of compliance training programs, in addition to creation and improvement of reporting channels, in order to investigate any potential unethical and illegal practices.



Independent corporate investigations regarding conduct that violates company policies, identifying involved individuals or parties and advising on necessary corrective measures to prevent reoccurrence.



Investigation and implementation of measures to mitigate risks related to corruption, money laundering, fraud, harassment, among other illegal practices.



Alignment of corporate practices with the administrative liability system established in the Anticorruption Law (Law No. 12,846/2013), as well as identifying and stimulating good practices that demonstrate additionality from the client towards the topic.



Data protection and cybersecurity within the scope of internal policies and ESG matters of our clients.



Development of information security measures, considering the General Data Protection Law and potential additionalities within such scope, including training of teams specialized on these topics, to ensure the carrying out of best practices by the company.



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## Administrative and Judicial Litigation



Risk analysis involving regulation regarding climate change, greenwashing and socialwashing, including the identification and mitigation of judicialization risks, as well as the carrying out of judicial and administrative actions.



Alignment of corporate practices with criminal liability provisions for individuals and legal entities, establishing and carrying out best practices that mitigate risks regarding such criminal liability for managers and the company.



Identification of potential and risks and respective mitigation strategies regarding labor analogous to slavery, child labor, social inclusion, harassment and diversity, including assistance in administrative and judicial actions.

## Supply Chain



Structuring and implementation of ESG certification procedures in supply chains employing blockchain technology.



Drafting and revising contracts and/or clauses due to requirements for related parties, such as suppliers, to internalize good practices or policies of ESG.



# About Demarest

**More than 75 years of practice moving towards one goal:** understanding each client's priorities for each scenario and progressing at the appropriate pace.

We are practical, objective and accessible. We understand the problems that can affect your business, as well as your business goals, and the risks you face, which enables us to provide agile and reliable answers regarding complex legal issues.

We are a full-service firm. Our business model values the integration of all practices and industries in which we operate. Through our offices in São Paulo, Rio de Janeiro, Brasília and New York, we assist national and international companies of different sizes in advancing their business in Brazil.

Our team's qualification and experience in different industries enables them to seek innovative and strategic solutions that help companies overcome obstacles, strive for new opportunities and progress.

We are proud of our history and tradition, but our sights are set on the future. We invest consistently in new technologies, in implementing effective procedures and updating our legal body, in order to provide unrivaled service adapted to the style and the needs of each client.



Founded in **1948**



## 4 Offices

São Paulo, Rio de Janeiro,  
Brasília e New York



**75** Partners

**300+** Lawyers

**600+** Employees

**OUR PRACTICE HAS BEEN RECOGNIZED BY THE MOST IMPORTANT RANKINGS AND LEGAL PUBLICATIONS, SUCH AS CHAMBERS BRAZIL, CHAMBERS GLOBAL, LATIN LAWYER NATIONAL, THE LEGAL 500, IFLR 1000, INTERNATIONAL TAX**





# Our practices that meet ESG criteria

Implementing policies focused on environmental, social and governance matters of the firm is in our DNA. Find out more about our initiatives.



## environment

Our pro bono practice has provided free legal assistance to large projects and NGOs aimed at protecting the environment and fostering sustainable consumption. In addition, we invest in internal and voluntary campaigns aimed at raising awareness among employees on the topic of sustainability.



## social

We connect social protagonism, fostering of human rights and socially responsible management of our workforce and value chain. In order to maintain our status as an excellent place to work, we strive to go beyond complying with legal requirements. We have created programs focused on quality of life and mental health, diversity and inclusion and also offer training and qualification to our professionals through D Academy, our corporate university.



## governance

We ensure transparency in our practices, by consistently reporting and/or involving stakeholders in our strategic measures. We also have a robust structure of Compliance and Information Security, deemed one of the most advanced within the legal environment.

In addition, we hold the ISO 27001 certification, which certifies that our Information Security management system complies with strict international standards.

# Our Diversity & Inclusion Programs



Initiative that fosters gender equality. **We were recognized as one of the Best Workplaces for Women in Brazil**, following an audit carried out by Great Place to Work® in collaboration with Época Business magazine.



Initiative in favor of the LGBTQIA+ community. **We are among the 52 Brazilian companies recognized by GUIA EXAME de Diversidade** (Diversity Guide published by EXAME magazine) which evaluates and recognizes the best practices of diversity and inclusion in the country. This achievement places us among a select group of companies and organizations that foster initiatives in people management.



Initiative that fosters racial equity. **Robson de Oliveira**, lawyer from our Real Estate practice area and member of D Raíces, **was recognized at the Chambers Diversity and Inclusion Awards in the Future Leader category - Minority Lawyers**, an international award organized by the traditional British legal rankings agency Chambers & Partners.



# Corporate Social Responsibility programs

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Practice focused on bettering society through social investments and voluntary actions aimed at fostering education, the preservation of the environment and health of communities in which Demarest is inserted.



D Futuro is an affinity group aimed at bridging the communication gap between high-level management and young students at the firm (interns, trainees and legal assistants).



We value a warm and respectful environment, free from discrimination, and in which diversity, innovation and social awareness are key values within our efforts to not only achieve successful business results, but to also help foster a more just and equal society.



Free legal advice to entities from different sectors, assisted by our partners and lawyers.

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## ESG Contacts

### Key Contact

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**Fernanda Stefanelo**  
Environmental

### Other Contacts

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**Cássia Pizzotti**  
Labor and  
Employment



**Eloy Rizzo Neto**  
Compliance and  
Investigations



**Thiago Giantomassi**  
Capital Markets



**Luiz Fernando Sant'Anna**  
Environmental and  
Dispute Resolution





SÃO PAULO  
RIO DE JANEIRO  
BRASÍLIA  
NEW YORK



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