



Conversation with Pedro Tarak

Ashley Hopkinson

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Ashley Hopkinson: Can you introduce yourself and tell me a little bit about your background?

Pedro Tarak: I'm very pleased to meet with you, Ashley. I'm Pedro Tarak from South America — Argentina. I'm one of the founders of Sistema B, in English that would mean System B. We promote on the one hand the B Corps that you might have heard of from the U.S. On the other hand, economic system change in very specific places. So that means engaging other businesses, not only B Corps, but large businesses in the investment world. Basically, trying to lead investment into impact, positive social environmental impact investment. Then universities, academia in general, then governments.

And of course I would say the influence of public opinion in whichever sector. So the entire market starts moving ahead towards an impact market and a wellbeing market. That's what I do today as a founder of System B, but also as a co-founder of other organizations such as Impact Trade. If you look into Impact Trade, it's very much focused on soft landing in new markets, but with an impact vision and impact business logic. I'm also one of the founders of RITA, which is the Regional Impact Trade Alliance.

And personally, I'm a small investor in different companies, they're all impact companies, many of them are focused on holistic regeneration. That means ecosystem regeneration and also community cultural regeneration, so it's holistic. I'm a small investor in a company that you might have heard of in the U.S., Guayaki, it's Yerba Mate (competitor to Red Bull). It boosts your energy, but its main ingredient is yerba mate. The focus of the company is the regeneration of the Mata Atlantica or the Atlantic Forest in Brazil, Paraguay and Argentina. And the sense of community of the populations that depend on the forest. So these are Indigenous communities and cooperatives from the landless movement. Guayaki, that's just one example, but I'm also co-founder of the company. So I would say

I'm a serial entrepreneur who tries to combine business and economy with the attainment of social environmental needs that we have as individuals, as communities and as societies, both locally and globally.

Ashley Hopkinson: Wonderful, it's great to meet you and hear about all that great work, and especially, System B and the work that you're doing. Given your approach to business with System B, have you found that business and wellbeing can successfully intersect? And with the business work, who would you say largely benefits from your work and how do they benefit and extend that into change?

Pedro Tarak: There's the microeconomic level, which is business basically. Then you have the macroeconomic level, which is a place, it's a territory, it's a market, right? It's a province or a state or a city or a country, right?

So let me start with a micro. For me in business we need to transition from a profit driven company to a value creation driven company. Once you actually think about how to create value, you create value for your shareholders. I'm a shareholder as well. But you also create value for stakeholders. For all stakeholders, and not only short term, but also long term. Not only locally but also globally. So we are all part of this small little earth, the Pale Blue Dot. So whatever we do in one point of the earth needs to benefit the rest of the whole.

Now, as a company, we operate in the market. So basically the main ingredient in my perspective is to define the purpose of the company well. And the purpose of the company needs to match a solution for society and the planet with a demand from the markets. You need to match these two. Once you are able to match that in your business model, what we refer as the Impact Business Model, then what you offer in the market are services or products that enable your customers, that enable your investors, that enable your collaborators, that enable all the other stakeholders to be part of that solution.

So let's take the case of Guayaki. We basically are part of the regeneration of the second-largest rainforest of the Americas, after the Amazon, the Atlantic Forest. There's only 7.8% of that forest left in the three countries. That means that the life-producing systems have been reduced to that extent.

We understand business as business that is doing good for the planet, for societies, but not only for the inhabitants of our region, but for the entire world. So that's valued by other societies as well. Basically, what we do is we pay from 40 to 60% more the market value of that ingredient, yerba mate. You might

have seen the Pope drinking with a gourd. That's yerba mate. But we use that ingredient for the cans that are basically energy boosting, but it's organic and it's regenerating.

So when a client or a customer actually purchases that same can, (that client) is part of the solution. Or when a supplier, Indigenous communities or the landless movement, sell us the ingredient, they're part of the solution. And we pay them 40 to 60% more than market value compared to the same ingredient that you find in monoculture. What you see is social value creation, it's environmental value creation, but it's also financial value creation.

...So I'm not driven by what's going to be the distribution of profit this year, it's a different logic. For me, that's a very concrete case where I can actually embed wellbeing for individuals, for families, for communities, for the planet, and for the entire world. Because whatever we do on one end of the earth needs to benefit both locally and globally and short term and long term. That example is the best way of sharing how I understand the combination.

Ashley Hopkinson: What is it going to take to demonstrate the value of this work? There can be misconceptions that either you're a business person or you're someone who wants to do good in the world. Can you share more about how it's possible to shift the societal narrative that these two goals can coexist? A profitable business, with investors, and the goal to do good?

Pedro Tarak: The best way to speak out is sharing the example, the experience, the concrete results, the way you do it. Rather than building abstractions and conceptual abstractions that you then read in a book that is taught at Harvard. You know what I mean? That doesn't mean anything in reality. You see books are wonderful, but what I mean is that we need to show and learn from what our eyes can teach us. So that's one element.

Now, the way we do it at System B and in the Wellbeing Economy Alliance, I see it much more like the macro because we do address the micro. So we want many B Corps sharing their way of solving problems that society and the planet needs. But at the same time, at System B, we invite all the other stakeholders of the system, of the entire society, and everybody as part of the markets.

In fact, the main goal is to include everybody in the market... so include those communities of people that have been marginalized, including women. So how do we actually integrate everything as what we see from the moon to the earth? We're all together. Everybody loses if someone is excluded. We normally think of exclusion as part of the economic balance of externalities. Now, if you think in terms of value creation, life value creation, we all lose if someone is excluded, we all lose. You lose the wisdom, the experience, the uniqueness of each individual that brings life to this holistic world. So at

System B, we use the same elements of business innovation, which elevate the purpose of companies with social and environmental solutions.

Two, we measure in an integrated manner the value creation and the impact of the company. We have what we call the B Impact Assessment, which is a tool for measurement, but it's also a tool for management and of education. We introduced the social and environmental and the labor questions into what business normally would not do. Basically to measure your impact, but also it becomes a tool of management, of holistic management, of holistic value creation—the tool is very useful for that. That's the second element.

The third element is that we do affect the legal elements of a corporation or company. We promote legal innovation of the statute of incorporation of a company. So inside the statute, inside the law, the private law of the company, you embed, apart from the elevation of the purpose, you embed the obligation of the company to be transparent and accountable about its impact. (Essentially), you self impose a legal obligation ..and you expand what we call the fiduciary liability clause...Fiducia in Latin means trust. The fiduciary liability means that a company has to prioritize the trust granted by the owners or the shareholders to the company. So you prioritize their interest.

And I'm speaking about this as a shareholder myself. So we prioritize the interest of the shareholders. That expressed in our system means we prioritize the profits, right? And then we minimize the costs. But which costs? By nature, right? The labor costs, the social costs, and the environmental costs. Now, this comes from colonial times. It comes from when Britain used to basically send its explorers to India and Africa. And the Netherlands used to be the same to Indonesia and also some other parts of the world. Well, the language then was different, right? But the investor or the bank or whoever would ask the explorer to sign a clause, right? To say, "I commit to you, to those who put the money." And that's called the fiduciary liability clause of the contracts during those times. Now that started to become frequent, and as London was the capital of the British Empire, during those times. That same clause matched during the Industrial Revolution in the elaboration of the limited liability companies. You see, that was the first corporate legal entity, limited liability companies.

Now go through the notion of limited liability. Limited liability. Just imagine what we're speaking about, right? We're limiting your responsibility to those who put the money. Now, that clause has become the global standard clause for all corporate law throughout the world...What does that mean in practice? It means that all those costs, those extra costs are the famous negative externalities, right? During those times, there was no notion of environmental costs because the environment had the infinite global capacity—the carrying capacity to sustain all those externalities. Not the social ones, but the environmental ones. Now what has happened?

Ashley Hopkinson: Nature is responding back to it.

Pedro Tarak: Exactly. Exactly. Exactly. Now nature has become so present, right? So overwhelmingly present because we have been reducing nature's capacity to keep on producing at the level of life services.

What we do in the corporate world is to promote the expansion of that clause, the fiduciary liability clause, from only being liable to the shareholders to being liable to all stakeholders. So that's liable to workers, collaborators, liable to customers, liable to suppliers, liable to neighbors, to citizens. We expand that to all the stakeholders locally and to the extent that you have an impact globally.

At the same time, we become liable in the short term, but also to the long term... We introduce these elements so that companies can reframe value creation. They can actually evolve from costs to investments. Once you understand that you're investing in life producing systems, you are investing in societies, you're investing in communities, you're investing in your suppliers, you're investing in your customers, then the company starts evolving and operating in a different manner...

In the case of Guayaki...because we pay much more for our (ingredients than) competing brands, Red Bull and others, all these chemical energy boosting drinks. Ours is completely organic, it's completely regenerative. But we are able to compete with the same price or more or less the same price because we don't allocate 40 to 60% of the budget for advertisements. We're not the kind of company that will say, "Buy us." What we do is share what we create as value creation.

Ashley Hopkinson: So you have an entire framework. You've got the Impact Business Model, the B Impact Assessment. You have the metrics as a tool, then you have the legal obligation, shifting into fiduciary. So it's all these things working together so that it's no longer a philosophical conversation, it's about that there's a template for how you can actually try to make this work?

Pedro Tarak: Well that's what we hope, we're trying to promote. And the B Corp Certification is a new private business identity. So what's attached to the B Corp Certification is that there's a global independent third party auditing system that says, "This is true." Right? But because you need to achieve 80 points out of the almost over 200 questions, there's a scoring system.

Ashley Hopkinson: Can you tell me more about B Corps, benefit collective work?

Pedro Tarak : In 2012, we started the organization for the entire Latin America, but with a systemic approach. We come from a different context as people. We basically complemented two contexts, the North American and the South American context.

And so what we basically found out was that the certification entails a private legal amendment to your statute of incorporation. So that's one thing. You can do it privately, right? You can change, you can amend your charter of incorporation. That's something that anyone can do anyway, you don't need to become a B Corp. Now that's private. Now what happens is that in private law, if you have a conflict, say I pass away or I want to sell my shares or whatever, but there's a change in the governance, or in the power scheme of a company. There are new owners, and the new owners say, "But that's private." The law, the corporate law, which is the one that is valid for the entire society doesn't say that. So I need to go to court to explain that we had this private agreement.

So we need to promote the legislation, which is called the Legal Benefit Corporation Acts/Legal Benefit Corporation Legislation. And that started also in the United States. But then Italy adopted the first national legislation because in the United States you have a federal corporate legislation, so you had the legislation of the states. So it started in Italy and then it (moved) to five Latin American countries. Colombia first, Ecuador, Peru, Uruguay, and Panama. And all the other parliaments have the bills being discussed right now in all of Latin America.

It's the translation: Sociedad de Beneficio e Interés Colectivo. So that's in Spanish. So we use the acronyms in Spanish. So let me now turn into the macro, what System B does.

For example, in the province of Mendoza, that's a province, it's a state in Argentina. We started doing something quite unique, if you will. We use the B Impact Assessment tool for all stakeholders because we thought those questions are valid for everybody in the market, right? So it was valid for universities, for governments, for the investment world, for the churches, for the NGOs. The questions were valid. So for 18 months, sponsored by the Provincial Ministry of Economy and some other funds, every month in one different university, we gathered the stakeholders all together...groups like business investment, universities, NGOs, together at the same time. So only asking questions. And the power of questions, you know this because of journalism. The power of questions, right? Socrates would go into the market to ask questions. So what's amazing, what happened after 18 months is that all these different stakeholders also said, "We want to innovate." So that's the reason you have in several cities, but the City of Mendoza adopted the first positive impact procurement legislation.

So they reward suppliers that actually (make) changes, move in that direction and they can prove the impact. So also in that province, because of the same reason, a sovereign debt bond was issued in one of the other cities, not Mendoza, but it's called Godoy Cruz, a small city. That helps their own industry to transition towards a clean energy matrix. And it's a result driven bond, and they play around with the interest rates. So they reward (businesses with) better interest rates if you achieve more. The universities, the first university in Latin America that offers you a degree, just a regular business

management degree. When you're 22, you can graduate with a major or with a title, a degree that says impact business manager. So you go into the market with a new market differentiation. So you compete for this emerging world of businesses, impact businesses.

It's beautiful because the nine universities of that province, plus the presidents of the nine universities, decided to agree. I'm speaking about public universities, Jesuit universities, the other kinds of religious universities, and the private universities. All together decided to sign an agreement to reduce 50% of their carbon footprint by 2030. Then the nine universities called all the Chambers of Commerce and Industry, and with the exception of the oil and gas industry, oil and gas chamber (of commerce), all the other ones also signed. Then together, business chambers and the universities called the politicians. So all the municipalities and the province now, they all signed the carbon reduction agreement.

So there you see how the system operates in something that we all need, that of course they need it in Mendoza, in that province. And of course, if Mendoza achieves those goals, then it would be a market which is much more attractive for foreign investments or outside investments. And it's a new competitive edge for the entire economy. It's not only for one company or two companies or a B Corp, it's an entire system.

Ashley Hopkinson: This all seems interconnected...

Pedro Tarak: Why should I separate myself from what we call governments, if ultimately a government is the way we've organized ourselves as societies to fulfill the needs that we have that we can't do separately; we can't do individually. The government is a tool for societies.

Now, governments have been taking over power from societies, that's a different story. Conceptually speaking, if one understands oneself as part of all the parties then the humanity that we've got inside ourselves potentially is in every single individual, regardless of the sector. So once you connect with the humanity of a politician, of Trump, of Obama, of Biden...if one connects with humanity, then there's a new chance. But that requires the guts to go out there and say, "We're on the same journey. This is the same boat." ...I'm part of nature and part of the planet. (If animals) they're all part of the earth, then how come the homosapiens, the humans are not...There's something wrong with our brains that creates an abstraction.

Ashley Hopkinson: We think we're separate. Yes.

Pedro Tarak: Right.

Ashley Hopkinson: I don't know that everybody sees the interdependency, that economics is in everything. So I think that that's one of the things I hope these conversations would do. People read and they start to connect some of the dots.

Pedro Tarak: Perhaps one thing that we need to develop, actually, perhaps you were interested —is systemic leadership, holistic leadership. We need to enable people to expand holistically. Some people might want to lead processes. There is a potential for leadership in every single human being, that's what I'm convinced of...we need to discover our own holistic being. Once you understand your whole being, then you bring all your dimensions in whatever you do.

Now, economics from Oikos, the roots for economics and ecology. Oikos is in Greek. It's old Greek. Oikos is the root for oikos, *oikonomics*, economics, ecology. Once we understand oikos as the management of our home, then it's obvious that it was originally integrated.

It's only our system that has separated so that's why I don't conceive of an economy, which is not placed on this earth... we can't have an economy outside of this earth. We're not on Mars..or in another galaxy, we're here. And at least as I understand it, the earth is our own.

Now the way you basically bring it down to the markets is the challenge. So that's why it's so important to approach microeconomics and also macroeconomics. My energy for microeconomics is through business and investment and market developments. My energy for macroeconomic evolution is mostly through the Wellbeing Economy Alliance (WEAll)... At WEAll, there's a group of governments, WE Governments, that are also in the same journey. These are the six countries, Canada, Scotland, Wales, Finland, New Zealand and Iceland.

The province of Mendoza has started the economic innovation hub. So it gathers all the different parties, all the stakeholders, and it acknowledges that everybody is a part of economics. They have decided three main economic interests of the province. One was the impact procurement legislation, which was already achieved. The other one is the GDP, it's the evolution of the GDP. So it can include the environmental and social assets or liabilities in the calculation of the GDP. That's a big effort; a lot is being learned from Scotland.

Now that's not yet implemented, but at least there's a space where the different parties are working through [it]. Then the other one is the blended finances and the different economic financial innovations. Mendoza's example has inspired Uruguay as a country. So Uruguay has developed now the economic innovation hub mostly to influence their seven universities. So they can start teaching economics in a different way and business in a different way. Otherwise, you go to school and they

teach you that the purpose of business is maximizing profit for the shareholders and minimizing the cost, still today.

Each of us, we came to life for some reason. And the main thing that we need to do is harness and elevate the uniqueness of every single individual, the organization, business, lands, concrete places, and that needs to be elevated. So we return back to the diversity of our wealth, of our shared wealth, rather than standardizing everything to be able to manage in a simplified way. So my understanding, or what I can tell people is that you want to be part of a feast.

You'll bring yourself into business, not something separate. You'll bring business to society and you'll be a responsive business...Then you'll meet people in a different way. You'll connect with people with their aspirations, with their nature. And still make money. And the same is valid for concrete markets. We need markets which are unique. We don't need markets which are all the same.

It's being part of humanity, you see, and it's lovely to be part of this feast of awareness where you have the convergence of the expansion of the consciousness of what does it mean to be a human?

Together with the evolution of the economic system. So we can actually create value, holistic value together with a new business identity and together with a new market identity. My latest interest is for international trade to become a socially environmentally impactful opportunity. So that's why RITA, Regional Impact Trade Alliance is very much focused on the combination of regions. Instead of 198 nation states, you have thousands and thousands of sub-national opportunities for doing its part. So just imagine thousands of Mendozas, thousands. How do we reward them? Through international trade. Then how do we reward those regions that create the spaces for multi-stakeholder and multi-ideological groups to co-create solutions? And then how do we actually reward those economic innovators, regions that are promoting the economic innovation of the world? You see? So RITA's for that.

We still need to develop the minimum criteria and the City of Melbourne, because we created the organization in Melbourne, Australia. The City of Melbourne is very interested in promoting the next phase of RITA, which is bringing together ... five to seven regions that are willing to actually do this, to start promoting it. The whole idea is to create the RIOs, which is the Regional Impact of Origin. It's a brand just like B Corp, but it's a brand that rewards with the identity. And then a registry, so these regions can be part of the registry. And then you have the benefits, which is access to markets from region to region. So that's where I am now, because more than 53% of the average GDPs of the world goes through international trade. So how do we affect that?

Ashley Hopkinson: What challenges do you feel like you may be facing? And how are you working to overcome them in terms of the type of work that you are doing, the vision you have? What would you say you feel up against or you feel like the movement is up against?

Pedro Tarak: Well, yes, there are only 8,000, just above 8,300 B Corps in the world, they have to fulfill very stringent standards.

Ashley Hopkinson: What gives you hope? What keeps you inspired to keep doing the work that you do?

Pedro Tarak: Ashley, what keeps you inspired?

Ashley Hopkinson: What keeps me inspired is great conversations. I've interviewed so many people. They're just wonderful people in the world doing great things, and I think if we talk more and listen more, we could really have some of the transformation that we're looking for in all these little different areas. So conversations keep me inspired.

Pedro Tarak: It's exactly what you're saying. That's what inspires me. I participated in many spaces where quality conversations are the centerpiece of those spaces. I see so many people being affected in a contagious way by those conversations. I see it everywhere. For example, we just ended the Impact Trade in Uruguay, but there were people from Brazil and the G20 meeting in Rio in November. So there's already an initiative of taking Impact Trade to the G20. Then at the same time next year, it's going to be in Cape Town in South Africa. So there's already people demanding for having Impact Trade in South Africa this year. Then I'm going to Cairo and I'm having a lecture on Impact Trade and B Corps in Heliopolis University on April 29th. Then the people in the Peloponnese in Greece found out about Mendoza. So we had the conversation between stakeholders in Mendoza, the stakeholders in Greece, and they're now starting the same (type of initiative).

This is what we need to do, it's bridging not only between individuals, but between groups of stakeholders. And showing that we don't separate. Whenever we find a leader that needs separation to be successful, then let's say bye. We don't need leaders that separate us as human beings. With all respect. I don't want those presidents that use the anti (rhetoric) to be successful in their campaigns. We can affect any part of this world with respect, with love. We need to combine it with the economic system, whatever we do.

Ashley Hopkinson: Yes, thank you so much.

Ashley Hopkinson is an award-winning journalist, newsroom entrepreneur and leader dedicated to excellent storytelling and mission-driven media. She currently manages the Solutions Insights Lab, an initiative of the Solutions Journalism Network. She is based in New Orleans, Louisiana.

** This conversation has been edited and condensed.*