BUSINESS PERPETUITY IN THE 21ST CENTURY:
ESG RISKS INTO THE RISK GOVERNANCE

Maria Mazzarello Pereira Veloso [(1)] , Juliana Lopes [(2)] e Gláucia Térreo [(3)]

ABSTRACT

In today's active global economy, issues have never been more turbulent. We live in times of rapid change, so organizations need to consider an ever-widening range of factors in their planning and decision-making. These factors include the diverse macro trends ranging from climate change, social instability, unemployment, terrorism to adverse consequences of the advancement of technology if we consider, for example, some of the global risks highlighted by the World Economic 2021.

The Operational risk has been around as long as operations have existed, but the level of sophistication of risk has changed as climate crisis and technology has evolved, machines have become much more complicated and the emerging of digital technology. There are many things that can go wrong.

Boards are the most powerful vehicles we have in the corporate world - and some will say around the world. In this context, The Board of Directors plays a key role in the perpetuity of business. According to the IBGC Code of Best Practices of Corporate Governance, the Board of Directors is the main component of the corporate governance system. This social body makes the link between capital ownership and management, seeking to guide and supervise the relationship of management with the other stakeholders.

We need to be able to get boards of directors everywhere to understand the growing number of risks and opportunities evolving their companies on the contemporaneous times - and to start acting. As the guardian of good management and business continuity, the Board of Directors needs appropriate information related to ESG - environmental, social and governance risks.

The research also showed that, in Brazil the understanding of ESG aspects and its risks as strategic by board members usually results from pressure from external stakeholders, with investors being the group with the greatest power of influence.

This pressure has occurred, above all, after catastrophic events such as those of Mariana and Brumadinho, which resulted precisely from the omission of decision makers at different levels of the companies that played a leading. Those are threats to the population, the environment, and the economy that must be considered.

There is increasing evidence that a holistic integration of all risks into management brings positive impacts to an organization's results and provides it with business benefits and competitive edges over its peers in different businesses and contexts. Even though this positive impact may not materialize immediately or does not always seem right or measurable, organizations should consider the value proposition of these initiatives as compared to other business priorities and opportunities. The rationale or business cases for this will continue to be developed as more and more institutional investors, as well as society as a whole (Silk et al, 2018).

Therefore, we hope that the results of this study can contribute to the discussion around the ESG aspect in risk governance and the full development of this issue by board members and risk professionals can be effectively integrated ESG aspects in decision-making, avoiding impacts of future risks and providing sustainable perpetuity for the business and for the territory in which it operates.

1 MSc, Founder + Managing Partner – OLUSAC
2 MSc, Founder - PulsarCom
3 Director – GRI in Brazil

1. INTRODUCTION

Understanding why and how the confluence between the transformation of the contemporary society, the climate crisis and the advancements of digital technologies is causing a metamorphosis of own society and, also, to the business is essential to a broad and holistic view of the risks, to survive and prosper in the 21st century and beyond.

First of all, it's needed to understand the Spirit of the Age. We are in the 21st Year of the 21st Century, in order to understand the new risks that are imposed, we have to understand the Contemporaneity that guide the organizations of the future.

We can divide these signs of the times, didactically into three aspects:

i. The Climate Crisis

Studies show that, since the industrial revolution, the earth has shifted from the Holocene to the Anthropocene era, where human actions were the main driver of these global environmental changes - due to the extreme use of resources and the emission of contamination into the environment.

The most contemporary concept on the subject is the "Planetary Boundaries". It is the concept of safe planetary operational limits that present a set of 9 parameters within which humanity can continue to develop and prosper. In 2009, the former center director Johan Rockström published the Planetary Boundaries Framework, which outlined nine key processes, influenced by humanity, that threatens the stability of the entire Earth System. These are: climate change, biodiversity integrity (functional and genetic), ocean acidification, depletion of the ozone layer, atmospheric aerosol pollution, biogeochemical flows of nitrogen and phosphorus, freshwater use, land-system change, and release of novel chemicals (including heavy metals, radioactive materials, plastics, and more).

In this sense, the E.S.G. aspects and its risks is not a new concept or an evolution. It would just be a simple way to measure the maturity of the company for crucial aspects for the business perennity.

In addition to individual incidents, there are also risks associated with shutting down and restarting facilities in response to natural hazards. For example, according to policy and action group Environment Texas, the unusual cold weather in February 2021 resulted in 194 facilities in the state releasing an estimated 1,587 t of additional air pollution including toxic chemicals.

Here, the most critical thing is to understand Climate-related incidents need to be accounted for in process safety and the climate crisis changes the risk profile of organizations completely, whether due to scarcity of resources, increase in natural disasters, temperature variations, increase in migrations, among others.

ii. The Society

The world is experiencing significant changes in societies: in the way of consuming, in the expectations of employees, in the relationship with partners and customers and, clearly, in voters, including the requirement for new legislation.

The society lives in a period in which all views of the world have gone into crisis and individuals feel free to create everything new. Bauman says that we have moved from the fixity of the modern age to volatility.

So, it is necessary to understand contemporary society in relation to the "temporality of the present" and "affections". Mainly from the experiences of urban tribes, which mobilize their identities and sociality (being with). The feeling of belonging to a community – that is, which is my tribe.

iii. The Digital Technologies

With the advent of the internet and all the digital technology that comes from there. In contemporary society, a large part of socialization takes place in a virtual dimension and driven by new technologies, which transcend time, spaces, and territories.

This dimension of the network society plays an important role in the transformation of knowledge and innovation dynamics. This network society integrated in real time (i.e., interconnected) starts to exert pressure on organizational structures and to create a new relational dimension that requires companies to leave their centrality. Business strategy should be thought of as part of a complex system, that new digital technologies change living conditions and digital social networks (new tribes and communities) are part of this complex architecture.

In this new ecology unprecedented opportunities emerge and it is up to business management to understand and navigate this new era not only to create strategic advantages for their organizations, but also to create a positive impact. This is what is expected by this society that has changed and is continually changing. This society that has come to understand that for a business to be sustainable it is necessary to move from the paradigm of the prevailing conception of wealth creation to one of social well-being.

Therefore, business strategies must be aligned with these challenges that are posed and interconnected with a multiplicity of internal and external environmental factors and components. The main obstacle in developing a coherent plan towards a sustainable world and business is precisely to treat them as isolated problems when they are not. Soon emerges the need to understand the world in a complex and interdependent way.

The board that wants to position itself and their companies for future success balances experience, experimentation and keeps a constant eye on the external environment - continuous changes in its industry and global picture - to ensure it and the organization have the knowledge, skills, and agility to continue to respond, adapt, as change requires, to remain effective. Urging a holist risk approach.

Due that, as the guardian of good management and business continuity, the Board of Directors needs to appropriate information related to all ESG aspects and their risks. The main purpose of this project was to understand, develop and validate how ESG aspects and their risks flow into the risk governance and business decision.

To understand this process, the research was conducted where 18 sustainability professionals and board members of Brazilian companies were heard.

2. DESCRIPTION

For the research, two Focus Groups were established, one with professionals who work with sustainability and ESG risks and the other with board members from companies located in Brazil. This research aimed to discover ways to improve the flow of information between sustainability professionals and board members.

Due to its interaction and problematization skills, the focus group proved to be adequate to reach the research objective. As a data collection and analysis technique, this method is an important strategy for placing research participants in the context of analysis and synthesis discussions that can help to rethink attitudes, conceptions, practices, and policies.

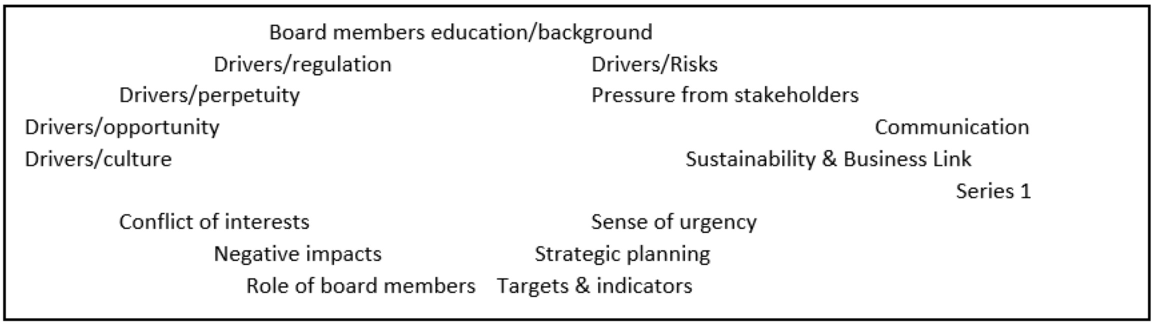
The analyzes were carried out in order to preserve the anonymity of the interviewees and guarantee the confidentiality of sensitive information about the organizations involved. The sentences between quotes refer to quotes from interviewees, reproduced as faithfully as possible.

The groups discussed various aspects, such as responsibility of board members, risk management, approach, culture, factors influencing decision making and boards of directors’ challenges.

2.1 Analysis of results – Focus Group with Sustainability Professionals

The great majority of participants said that members of the Board of Directors are receptive to ESG - environmental, social and governance issues; however, there are still gaps in effectively integrating these issues into decision making and strategy. No participant considered the Board of Directors resistant to the sustainability theme, and only one chose ‘neutral’.

Figure I: Main themes discussed in the Focus Group with sustainability professionals



Source: made by the authors

Board members education and experience was the most recurrent theme in the discussions. Some participants said that it is not enough to have access to sustainability information and reports; board members should have a proper knowledge of environmental, social and governance (ESG) aspects to be proactive and able to compare data and analyze how these aspects can turn into risks and opportunities for the business. The need for more diversity in boards of directors was also pointed out, considering that currently what prevails is the presence of board members with education and experience in finance and law.

Risk management was the number one driver chosen to promote greater involvement of board members regarding ESG aspects. Regulatory issues come next as the most frequently mentioned driver, having a strong mobilization power for turning into costs if not properly addressed. Other drivers, like perpetuity and culture, were also mentioned, but less frequently.

Experiences shared by Focus Group participants show that, when the risk turns into a negative impact, there is learning, increasing the chance of integrating ESG aspects into decisions and strategy, especially after great tragedies. But the organization could take preventive measures if the first defensive line, formed by the executive and operating officers, had these issues as priorities, and if they were more aware of what is going on in the field. If the Board of Directors has more knowledge about these themes, it can require and compare information, since its role is to care for the perpetuity of the business, whereas executives are often focused on short-term results.

Changes in corporate behavior are associated with pressure from stakeholders. Therefore, the understanding of ESG aspects as strategic on the part of board members is a result of pressure from external stakeholders, being investors the group with the highest power of influence.

2.1.1 Sense of urgency

The need to take a broader view of sustainability was highlighted, in order to understand it as part of the business. This brings a great communication challenge. Using the language of risks is a way of linking the sustainability agenda with the business and triggering the sense of urgency.

It is important to balance the tone of the message. According to the participants’ experience, neither an approach way too alarmist is able to engage the board members, and nor does a very formal language based only on contextual data and reports. Therefore, successful experiences were reported from the communication of ESG aspects as imminent risks to business.

Examples of positive results were also given taking an approach of highlighting specific ESG-associated business opportunities. As a result, these themes are no longer only problems from the perspective of board members, being understood as possibilities related to the development of new businesses, access to sources of funding, higher operational efficiency, cost reduction, etc.

All Focus Group participants reported that ESG-related information has already been requested directly by the Board of Directors. Such demands involved issues related to diversity, socioenvironmental risks, and the establishment of sustainability goals.

The presence of at least one member of the Board of Directors in the Sustainability Committee was pointed out by all sustainability Focus Group participants as a good practice.

However, it was stressed that sustainability discussion cannot be limited to the sustainability committee, for it pervades several other committees supporting the Board of Directors, such as the Risks or People committees, for example.

Practices like materiality development and stakeholder consultation, building blocks of sustainability reporting, still do not provide board members with inputs for decision making. But they could, since there are similar processes within the Board of Directors that could be linked, such as the identification and closing of gaps related to strategic and business risks. A solution suggested by participants would be integrating into the organization's strategic planning inputs of the materiality analysis and stakeholder consultation carried out for reporting. The investor relations area was considered an important channel to build this bridge, since it is the one who 'sells' the organization externally and also because it is responsible for the relationship with these stakeholders, who the group as a whole believes have more power of influence over decision making.

Organizations should also link materiality with the definition of risk factors. However, these processes currently do not interrelate, which cause discrepancies in the different reports of the organization (annual report, sustainability report, reference form, 20F). Integrating these materiality development and risk management processes would provide more uniformity and accuracy in the information reported by the organization to its different stakeholders.

Testimony of one participant: *'On average, board members are receptive, but do not effectively turn it into decision making and strategy. Maybe it is because of failure in communicating sustainability, in showing them that sustainability is business. There is also a lack of education background that otherwise would enable board members to be less dependent on proper communication and be more proactive.'*

Questions for sustainability professionals to think over:

- How are we conveying information to the board members?
- Is this information 'packed' for decision making?
- Are we sufficiently aware of the dynamics of decision-making processes in the organization and the role of board members and the executive board?
- What are the main drivers/motivators in the organization I belong to (e.g., risks, opportunities, culture, perpetuity, etc.)?

Challenges pointed out by the sustainability focus group:

- Establishing the link between the sustainability agenda and the business agenda;
- Using the language of risk and the sense of urgency to present Environmental, Social and Governance (ESG) aspects to the Board of Directors;
- Since pressure from stakeholders is the main factor of change assessed, encouraging the interaction of different stakeholders with the organization regarding the information made available through reporting;

- Seeking more integration with the risk management area and strategic planning area aimed at effective use of information compiled in materiality development and stakeholder consultation in the process of identifying risks and closing gaps;
- Highlighting the business opportunities involving ESG aspects.

Testimony of one participant: *'Processes are not linked as they should be. But there is quite a lot of intersection. 2-3 years ago, everything was very impervious. You would develop materiality for your report. There was no link with strategy. External protests were necessary to make the senior management realize that* it was all about what the sustainability report was saying, but the organization could have acted in advance.'

2.2 Analysis of results – Focus Group with Board Members

The focus group comprised of board members had nine participants chosen so as to reach diversity in terms of gender, sector, organization size, listed organizations, non-listed organizations, and family businesses.

The focus group was conducted according to a pre-established guide (Annex) with the purpose of identifying the following points:

- Board members' vision of responsibility in Environmental, Social and Governance issues and associated risks and opportunities;
- Relationship between ESG and associated risks and business strategies;
- Management approach to ESG issues and associated risks and opportunities;
- Composition and structure of the Board of Directors and committees, and their influence in Environmental, Social and Governance issues;
- Determining factors that influence Board of Directors' decisions;
- Challenges for the Board of Directors related to Environmental, Social and Governance issues;
- Final message from board members about ESG issues within organizations.

Even with a small sample, some differences could be found, especially regarding family businesses, the organization's level of maturity and type of business. At the same time, many similarities were found regarding the low level of integrated risk management by organizations, low insertion of ESG issues in the strategy, low integration between the various areas responsible for ESG in organizations, and little time spent with ESG risk issues by board members.

The content of information gathered was organized according to a pre-established guide, so as to identify the variabilities, similarities, and points of intersection in the practices of different Boards of Directors, as shown below.

2.2.1 Board members' vision of responsibility in Environmental, Social and Governance issues and associated risks and opportunities

For the group, the Board of Directors should have a clear view of corporate risks, being also responsible for defining the tolerance and threshold of putting the business at risk.

The main function of the Board of Directors is supervision. For this reason, it needs to ensure that the organization's risk management, risk matrix and controls are enough to guarantee compliance and good management of the main businesses and assets. In addition, it is the governance body responsible for defining the organization's risk appetite, as well as defining how often ESG risks and issues are discussed and analyzed in the board. This understanding is summed up in the words of one participant: 'The Board needs to know the risk to decide the corresponding risk appetite.'

It was mentioned that IBGC stresses very clearly the responsibility and duty of Boards of Directors of having an active attitude and being the custodian of governance. On the other hand, board members do not always understand the relevance of ESG aspects for the business, and there is, up to a certain extent, resistance to the theme, depending on the organization's level of maturity.

Generally speaking, the group agreed on the main functions and responsibilities of the Board of Directors and on the organization's definition of the ESG agenda, which include:

- Guiding and defining the strategic direction
- Defining risks tolerance and materiality
- Approving policy and planning
- Supervising and monitoring
- Ensuring responsibilities

Despite the understanding by the group of board members of the responsibilities regarding ESG issues, it is still very clear that the focus on these issues is primarily driven by legislation.

Testimony of one participant: *'There is not much space on the agenda because it means costs. But if there will be a fine, then it is different. This is a keyword.'*

It was also mentioned that sustainability data are not integrated into the organization's decision-making process. It was stressed the importance of the phrase 'Sustainability should not be limited to an area', for it was warned that 'until sustainability pervades the whole organization, we'll keep on doing just the necessary'.

ESG data generally do not make part of the organization's strategy formulation, resource allocation, global risk assessment and monitoring, financial reports, and investor relations. As a result, the organization does not have an integrated message in unison and, for this reason, still does not fully include ESG risks and their mitigation in the organization's overall strategy. On the other hand, 'despite the fact that ESG-related risks are not new' the group believes that this theme is considered new in the boards and that it 'came up about two years ago'. It is 'in the beginning and the process is in progress'.

Testimony of one participant: *'There should also be a clear understanding of how strategic business decisions can impact on the organization's ESG practices and performance and, conversely, how these issues influence strategic business decisions.'*

For this purpose, a cultural transformation is necessary, for 'Brazilian business management has a mitigation approach rather than a prevention one', focused on the short term and on costs, especially in a country in crisis.

Organizations that are connected with their purpose identify ESG-related risks and find opportunities, incorporating them into long-term value creation. With that in mind, they should assess risks, including ESG issues and global scenarios, and how these can impact business in the short, medium, and long term.

2.2.3 Management approach to ESG issues and associated risks and opportunities

Data obtained show that, even though a considerable number of organizations use ESG reports and criteria in their business practices, there are different levels of maturity involved and a significant number that do not incorporate these aspects into daily management.

The group reinforced the need to understand that there is a business maturity curve. At an early stage, focused on costs, then taking financial risks, and evolving into online innovation, digital, people management, and so on. It is the Board's duty to value holistic risk-taking, risk management, prioritize risks and, thereafter, to get better and better results. There are many issues involved and prioritizing is critical to keep the focus.

The establishment of committees that make use of technical expertise to improve decision making is crucial as a supporting body aimed at providing efficiency and swiftness to the decisions of the Board of Directors. With this new configuration, each Board of Directors should decide on the need to schedule meetings with a specific demand.

Another point regarded by the group as important is to create a culture that fosters discussion and questions. ‘The Board can do a good job based on manuals, but without a risk culture, it won’t do much.’ The Board of Directors should overcome the culture of ‘I don’t want to hear bad news.’ The problem is that ‘Cultural aspects still aren’t high on the agenda. They are not priority.’ But culture is a guide to behavior, especially regarding risks.

A robust monitoring system is required, as well as valuing risk-taking and changing the focus from short-term return to a more balanced management with a compensation mechanism that includes ESG metrics.

The framework and the process created by the Board to supervise ESG issues vary according to the number of factors, such as organization size and complexity of operations.

2.2.4 Composition and framework of the Board of Directors and committees, and their influence in ESG issues

In Brazil, many boards are still traditional and homogeneous, so that most members have financial and legal background. ‘When someone different arrives (in the Board), then bullying begins.’ Everyone agrees that diversity, in its broader sense, is a critical factor for improving not only the quality of leadership and decision making in an organization, but also its financial and ESG performance.

Various skills and experiences help boards to fulfill more efficiently their supervisory duties, to shift paradigms and to avoid ‘groupthink’. In family businesses, for example, ‘the founder’s role is critical’ for the incorporation of other scenarios, perspectives, and issues to the debate.

Everybody agreed that the establishment of committees is a decision of the Board, which creates frameworks to support its decision making. In addition, committees should be coordinated by board members. ‘It is worth noting that committees neither have executive functions nor power of decision.’

2.2.5 Determining factors that influence Board of Directors’ decisions

The higher the interest of investors in ESG issues, the faster the increase in the amount of assets under management in the ESG analysis process and the advance in board members’ engagement. In the case of family businesses, the shareholder plays this role.

Testimony of one participant: *‘It is necessary to have a detached view and stand for what you believe in. Taking corporate decision. Being independent from what I want.’*

In Brazil, ‘investors have a power that they don’t exercise.’ The group believes that ‘Investors have to raise this bar’ and they hope for the ‘leadership of investors and society’ in this theme.

Another aspect mentioned by the group was the board member’s need for independence – ‘even financially’ – to be able to freely exercise the diligence and fiduciary power over the organization.

Establishing the organization’s culture, values and ethics is central to the board member’s term of office. It is also important to recognize that the good corporate governance depends on the personal integrity of board members and the management. The board members ‘set the tone’ at the top, leading by example and making sure that good patterns of behavior will pervade all levels of the organization.

2.2.6 Challenges for the Board of Directors related to Environmental, Social and Governance issues

ESG aspects are a challenge to boards of directors due to their uncertainty, unexpectedness, and external forces. Boards need to face this challenge because the organization’s perpetuity may be at stake, and organizations are increasingly questioned about and demanded to leave a legacy. Being ESG an important competitive factor in the short, medium, and long term, organizations should quickly respond to changes. This context requires that boards understand the challenges and structure them so as to provide quick and assertive responses.

The group understands that the main challenges for board members to address Environmental, Social and Governance issues include:

- Develop a framework and define resources & processes to improve risk management;
- Change the focus of past-oriented results and define future-oriented metrics;
- Understand the organization's financial situation, the current market environment and seek balance
- Define actions and priorities that do not put the business at risk;
- Favor a board dynamic that minimizes conflicts and prioritizes participation;
- Understand the organization's level of maturity and define the pathway to follow;
- Switch the focus away from maximum profit and define purpose.

For these challenges to be faced, board members believe that:

- The Board should receive the information in an adequate manner, not only regarding quality, but also in a format that enables the board to interpret more accurately ESG issues and that facilitates decision making;
- The areas in charge of ESG are responsible for bringing useful information to the organization, linked with the business and that may become inputs for the organization's strategy;
- The stakeholders' agenda should be translated into organization's concerns;
- Specialist areas cannot take possession of the ESG agenda, for this behavior is harmful to the organization;
- ESG issues should become part of the Management system.

3. DISCUSSION

There is increasing evidence that the integration of ESG – Environmental, Social and Governance issues into management brings positive impacts to an organization's results and provides it with business benefits and competitive edges over its peers in different businesses and contexts. Even though this positive impact may not materialize immediately or does not always seem right or measurable, organizations should consider the value proposition of these initiatives as compared to other business priorities and opportunities. The rationale or business cases for this will continue to be developed as more and more institutional investors, as well as society as a whole, consider ESG issues important and priority (Silk et al, 2018).

More organizations have adopted a proactive approach towards these issues. However, organizations are in different levels of maturity regarding the approach to ESG aspects in their main business processes. The speed of this transformation depends on some factors, including the urgency of the theme to the organization and pressure from stakeholders. Based on data obtained from the study with focus groups comprised of sustainability professionals and board members, we have highlighted five recommendations to integrate ESG aspects into organizational decision-making processes:

The link between ESG aspects and the business still depends on the learning process of Boards and the organization itself in order to move up the maturity curve.

Based on the data collected from the focus group and their views of ESG, we highlighted five main conclusions:

ESG is a risk at board level

On a global scale, boards have been facing pressure from investors and other stakeholders to be more proactive in their assessment of competition risks and understanding of market trends, which include environmental, social and governance concerns. Board members play a key role in understanding the needs of a broader universe of stakeholders that are critical to the organization and in supervising a holistic risk management strategy that integrates value and promotes business longevity.

The speed of this transformation depends on some factors, including the urgency of the theme to the organization and pressure from stakeholders. Based on data obtained from the study with focus groups comprised of sustainability professionals and board members, we have highlighted five recommendations to integrate all risks aspects into organizational decision-making processes:

Holistic risk management

The Board should work closely with the CEO and consultancy committees to identify which ESG issues are relevant to the organization's business and its key stakeholders. After that, it should supervise the implementation of policies and processes aimed at assessing, monitoring, and managing ESG-related material risks and opportunities. As part of this process, the CEO should identify whether there are any emerging ESG problems or trends that might significantly impact the ability of the organization to create long-term sustainable value and decide on the best way to allocate corporate resources to manage the most critical risks.

Practical recommendations:

- Ensuring the identification of ESG issues as well as their full risk management;
- Incorporating ESG risks into an Enterprise Risk Management (ERM) process;
- Shifting the long-term focus so as the changes that might impact the business, customers and society can be implemented earlier and effectively managed aimed at business longevity.

ESG integration into the business

Counting on an effective Board supervision and an ESG governance framework, an organization will be able to provide a sounder support to integrate ESG issues into its core business process. The Board is responsible for ensuring the insertion of ESG issues into the system maturity model that maps progression towards the type of business scenario that integrates value into the whole chain, where there is a learning curve to reach the holistic model. The way towards future ecosystems is paved by stakeholders' actions in the next decades.

Practical recommendations:

- Inserting new ESG-related tools, knowledge, and techniques to develop and improve business performance;
- Considering ESG issues as part of the organization's annual strategic review.

Communication with stakeholders

Effective communication with internal and external stakeholders is extremely important for the conveyance of the organization's commitment to long-term value creation. This is critical for building mutual understanding with stakeholders about the organization and ESG management.

It also helps to disseminate the corporate culture of an organization when dealing with ESG issues and promoting meaningful long-term relationships with shareholders. Communicating the right things in the right way are two key ingredients to an effective communication of ESG-related issues.

Practical recommendations:

- Define stakeholder communication and engagement strategies, in order to make shareholders and other stakeholders aware of risks, including ESG aspects..

Indicators and KPIs

Organizations should develop an integrated strategic view of financial and sustainability information, as well as corporate responsibility and performance initiatives that will be publicly shared on the organization's website or other communication channels. In some cases, organizations will adopt specific public reports on

ESG-specific issues. However, there has been an increasing trend of periodically disclosing information focused on each stakeholder through existing communication channels instead of publishing annual reports. Organizations will also be asked to meet the increasing demand for setting and disclosing targets and objectives specific to their business realities. For this end, it is important to analyze macro trends and monitor actions taken by sector peers.

Practical recommendations:

- Defining and tracing metrics and KPIs that include ESG issues in order to assess and monitor progress or performance against the organization's strategy and overall objectives, from process metrics to impacts;
- Building and strengthening data systems and reports to achieve more accuracy. Information for reports and analyses should be able to guide decision making;
- Publishing integrated annual reports, including ESG issues.

Board supervision

It is important to clarify that the role of the Board of Directors is to provide guidance in decision making. Therefore, its performance in these areas is usually in partnership with the CEO or of a supervisory nature. Boards should have the necessary knowledge to understand the organization's agendas and decision-making processes focused on perpetuity. In this way, it is important to include members who are acquainted with emerging trends, standards, and benchmarks, including sector risks and ESG issues. Whenever necessary, the board should seek support from external experts or from the committees to help them in this function. Opinions and proposals are always submitted to the Board of Directors. Committees should be coordinated by Board members with the participation of other members and experts in the specific issue.

Another critical factor of success is the promotion of a culture of mutual respect and trust within the board, between the board and management and with external stakeholders. Openness between non-executives and executives is paramount, with the belief that information is shared openly and different opinions are discussed and agreed on in a collective manner, thus ensuring that the vision and values truly pervade the organization.

4. CONCLUSION

The link between ESG aspects and its risks and the business still depend on the learning process of Boards and the organization itself in order to move up the maturity curve.

In this way, it is possible to create a robust business framework that understands ESG aspects and risks into the risk governance and, also, as a strategy and recognizes its associated opportunities and long-term value integration, as well as the role of all stakeholders to ensure business perpetuity.

Another critical factor of success is the promotion of a culture of mutual respect and trust within the board, between the board and management and with external stakeholders. Openness between non-executives and executives is paramount, with the belief that information is shared openly and different opinions are discussed and agreed on in a collective manner, thus ensuring that the vision and values truly pervade the organization.

One of the research points is that it is not enough to have access to information and reports on sustainability. Board members need to have their own knowledge of ESG aspects to be proactive and able to collate data and analyze how these aspects can materialize into business risks and opportunities.

The experiences shared by the research participants show that when risk materializes into a negative impact or catastrophic events, as in the case of Marianna and Brumadinho tragedies, there are lessons learned, increasing the chances of integrating ESG aspects and its risks into decisions and strategy.

But companies could anticipate risks if the first line of defense, formed by the executive and operational directors, had these issues as a priority, as well as being more attentive to what happens in the field. At the same time, if the Board of Directors has greater knowledge of these issues, it can demand and compare information, since its role is to ensure the continuity of the business, while executives often have a greater focus on short-term results.

Board members have an important role in understanding the needs of a wider universe of stakeholders and critical to the organization and in overseeing a risk management strategy that considers ESG aspects and its risks in order to generate and protect value and thus ensure the continuity of the business.

For this, questions from directors and stakeholders need to be accepted, as this expanded list of views contributes to the management of risks and opportunities, providing greater resilience to the business, the economy and society as a whole. This is nothing more than good management..

5. REFERENCES:

[1] Costa, G. D. S. Grupos focais: um novo olhar sobre o processo de análise das interações verbais. Revista intercamp, v. XXV: I53-I72, 20I2. São Paulo: LAEL/ PUCSP. ISSN 2237-759x

[2] HAMEL, G. Strategy as revolution. Harvard Business Review, I996

[3] IBGC – Instituto Brasileiro de Governança Corporativa. Código das melhores práticas de governança corporativa. 4th Edition. São Paulo: IBGC, 2009

[4] IBGC – Instituto Brasileiro de Governança Corporativa. Sustentabilidade nos Conselhos de Administração: práticas de algumas empresas listadas brasileiras; Coordination: Carlos Eduardo Lessa Brandão and Josefa Maria Fellegger Garzillo. São Paulo: IBGC, 20I3

[5] KRUEGER, RA. Focus Group: A practical guide for applied research, Newbury Park: Sage Publications, I988.

[6] KITZINGER J, BARBOUR RS. Introduction: The challenge and promise of focus groups. In: Kitzinger J, Barbour RS, organizers. Developing focus group research: politics, theory, and practice. London (UK): Sage; I999. p. I-20.

[7] MORGAN, DL. Focus group as qualitative research. Sage university paper series in: Qualitative research methods. Newbury Park: Sage Publications, I988.

[8] SILK et al. ESG and Sustainability: The board's role. Harvard Law School Forum on Corporate Governance and Financial Regulation. Published on Jun 29, 20I8. Available at: https://corpgov.law. harvard.edu/ 20l8/06/29/esg-and-sustainability-the-boards-role/. Accessed on Aug 9, 20I9.

[9] Veloso, M. M. P. Estratégia empresarial na sociedade em rede: o olhar feminino da alta gestão sobre o papel das redes sociais digitais. Dissertação de Mestrado - Fundação Getulio Vargas-EAESP, São Paulo, 20I8. Available at: http://bibliotecadigital.ƒgv.br/dspace/ handle/l0438/24905

[10]VALUE BASED MANAGEMENT. Management Methods; 2005. Available at: http:// www.valuebasedmanagement.net

[11] Rockström, J., W. Steffen, K. Noone, Å. Persson, F. S. Chapin, III, E. Lambin, T. M. Lenton, M. Scheffer, C. Folke, H. Schellnhuber, B. Nykvist, C. A. De Wit, T. Hughes, S. van der Leeuw, H. Rodhe, S. Sörlin, P. K. Snyder, R. Costanza, U. Svedin, M. Falkenmark, L. Karlberg, R. W. Corell, V. J. Fabry, J. Hansen, B. Walker, D. Liverman, K. Richardson, P. Crutzen, and J. Foley. 2009. Planetary boundaries:exploring the safe operating space for humanity. Ecology and Society 14(2): 32. [online] URL: http://www.ecologyandsociety.org/vol14/iss2/art32/