Boards, Governance and Integrating the Elements of ESG^

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Boards and ESG investors may separately apply environmental, social and governance criteria or considerations when assessing, reviewing or making decisions, or they might take a more holistic view and see these separate elements as inter-related (Coulson-Thomas, 2022e). If they are inter-related, what emphasis should be placed on each and in what form? How might they be better aligned, combined and integrated? Environmental and social issues, risks and threats feature in news reports, areas of concern and rankings of global risks (WEF, 2023a & b). However, what about governance, the third element of ESG? Governance appears to have a lower profile. Other than when corporate governance scandals arise, fewer people seem to talk about it? How might people with governance roles and responsibilities, and particularly directors and boards, ensure corporate governance arrangements and practices are consistent and synergistic across the three ESG arenas?

What should boards do to amplify the beneficial and collective impact of environmental, social and governance considerations? How might activities in these areas better complement and re-enforce each other? This article considers some of the areas and questions that directors and boards might wish to consider. It explores whether there are unifying and integrating factors such as sustainability and a desire for survival in the face of existential threats. There are many issues and dilemmas facing directors and boards and these are often inter-related as are the wider and global risks with which they are associated (Coulson-Thomas, 2023a; WEF, 2023b). Should what represents good governance enable and support responsible leadership in relation to sustainability and the achievement of UN Sustainable Development Goals, climate change adaptation and mitigation, environmental concerns, and collective responses to shared existential threats (Coulson-Thomas, 2023b; Saks, 2023)?

Awareness and Purpose

An effective board should be aware of what is happening in the business, market and wider context in which a company for which it is responsible operates, and consider how the company and stakeholders to whom it is accountable are likely to be affected. Directors should ensure the company and its people and operations are adaptable, flexible and resilient and ready, willing and able to respond responsibly to challenges and existential threats and seize opportunities as and when required. Opportunities could involve helping communities, societies and other people and organisations to cope with common challenges, and responses might require collaboration and collective action to address shared existential threats. Boards should articulate a purpose, priorities, goals and objectives that attract, engage and inspire.

A company's purpose and what it stands for can be helpful in building trust and relationships with stakeholders and might safeguard, maintain or extend a trust advantage business has in comparison with Government and the media (Mayer, 2018; Skinner, 2022; Edelman, 2023). Business leadership behaviour in pursuit of a laudable purpose such as the widely shared goal of collective survival that is also perceived as responsible can garner support and lead to reputational and other benefits (Coulson-Thomas, 2022g). Might it enable a company to be identified as a potential partner and become a source of collaborative as well as competitive advantage? If purpose influences what boards look for and influences how developments are perceived, could it be one of the integrating factors that brings together the elements of ESG?

Unwelcome events and crises, including wars and pandemics have occurred at various points throughout human history, including in the period since the introduction of limited liability companies in the nineteenth century. Stakeholders might reasonably expect boards to develop strategies for uncertain times (Coulson-Thomas, 2022d). The role of company director seems frequently, if not invariably, associated with disruption, change and breaks with the past. Peter Drucker referred to the closing decades of the twentieth century as a period of disruption, discontinuity and radical change (Drucker, 1969). So what is different about the contemporary context in which companies operate and current trends? What are their implications for directors, board effectiveness, corporate governance and sustainability? What questions should directors be asking and what can be learned from recent research?

Boardroom Challenges in a New World Order

For many boards the contemporary business environment continues to be challenging against a background of continuing consequences of collective business and lifestyle impacts upon the environment and natural world that raise questions about our prospects of survival (Dasgupta, 2021; IPCC, 2022a). Some individual challenges and the opportunities they create may seem familiar. Globalisation, greater connectivity, digital developments, environmental concerns and alternative ways of working, leaning and organising are not new. Do the interconnected nature and combination of contemporary challenges, wider awareness of their implications, and shrinking windows of opportunity to address existential threats before they become unstoppable suggest the onset of a new era? Are fault lines between democratic and authoritarian states, climate activists and laggards, and countries actively opposing Russia's illegal invasion of Ukraine and countries that support it or remain neutral evidence of a fractured world order when collective action is needed to confront existential threats?

Overall, growth projections are lower than they would have been without the distinct impacts of the global Covid-19 pandemic and Russia's unprovoked and brutal invasion of Ukraine (Naisbitt, 2022). Any reduction of unsustainable growth, negative externalities and certain activities in net zero laggard countries may buy some time for responsible innovation and needed transition journeys before particular tipping points are triggered. However, associated inflationary pressures that squeeze real incomes and falling living standards may reignite calls for unsustainable growth. Does the nature of recent developments and the extent to which they have speeded up the adoption of new business models and ways of operating and working suggest the emergence of a 'new economy'? What are the implications for the expectations of stakeholders and the corporate leadership provided by boards?

In uncertain times, what should boards be thinking about (Coulson-Thomas, 2022d)? Given global trends, inter-related contemporary challenges and the current world order, should corporate purpose, goals, objectives and strategy be reviewed? Is repurposing and reinvention required? What should be done to build high performance boards that are better able to cope with a volatile and uncertain business environment and ambiguity, disruption, complexity and crisis? How should directors balance and align strategy, operations and compliance and ensure what they do is responsible and remains current and desirable during transition and transformation journeys, as situations and circumstances change and contexts evolve? What oversight should they provide when seismic shifts in global geopolitics, technological breakthroughs and fundamental movements of opinion or other radical changes occur?

Challenges for Corporate Governance

Given an uncertain context and the nature and scale of collective challenges, some directors may experience pessimism and might have limited expectations regarding future prospects. Such feelings are not unusual, or without precedent, as directors, boards and other policy makers invariably have issues to address and the way ahead is rarely clear. A guide to the economic landscape and policy of the 1990s was entitled 'The Age of Diminishing Expectations' (Krugman, 1994). Challenges facing boards may also raise questions about the purpose and contribution of corporate governance, whose interests it serves, and its role in facilitating needed adaptation, responsible innovation, transition and transformation journeys, and the collective responses needed to confront a challenge such as climate change. Are there stakeholders other than the 'usual suspects' that boards should consider? What about future generations? In relation to declining biodiversity, what action should now be taken to protect the rights of animals and other species to live with us on our shared planet, depending upon their capabilities (Nussbaum, 2023)?

The notion that 'corporate governance' is a neutral set of processes and practices concerning the strategic management of a company is not unquestioned (Lund and Pollman, 2021). US corporate governance has been described as a 'system' with multiple institutional players that have an orientation towards shareholder interests, and as a 'governance machine' or ‘industry’ serving shareholders and their interests (Lund and Pollman, 2021). In jurisdictions in which shareholder interests are well entrenched, might substantial progress towards concern for other stakeholders depend upon the extent to which shareholders perceive this as also in their best interests? Could this happen if concern about existential threats grows? How should boards engage a wider range of stakeholders, address their anxieties and progress towards a more socially and environmentally responsible and inclusive form of capitalism?

Achieving collective action within and across stakeholder groups can be difficult when particular stakeholders prioritise their own interests at the expense of a focus upon joint value creation (Ostrom, 1990). Should more boards review different models of stakeholder governance, for example hub-and-spoke, lead role and shared approaches that might better address this issue and achieve improved cooperation (Bridoux and Stoelhorst, 2022)? Are there ideas and practices that could be adopted by boards which view their organisations as networks of relationships, rather than as self-contained entities? What governance models and practices might best enable the formulation of a common goal and collective strategy that can accommodate shared interests as well as others that may differ and the distinct cultures that may exist across a value chain or other network of collaborating parties?

Corporate Governance and Sustainability

Awareness and scientific understanding of existential threats and the severity of their impacts have grown rapidly in recent years (Tucker, 2019; UNEP, 2019; Dasgupta, 2021; IPCC, 2022a & 2023). The risk of mass extinctions as a result of climate change extends to the world’s oceans (Penn and Deutsch, 2022). The concerns of shareholders, ESG investors and other stakeholders may now be very different from those of their equivalents in May of 1991when the ‘Cadbury Committee’ was set up to examine the financial aspects of corporate governance. In relation to better enabling sustainability, is corporate governance now at a turning point at which its purpose, focus and relevance may need to be reviewed? While more boards may be taking environmental and social considerations into account when decisions are made and policies agreed, the shift from shareholder to stakeholder capitalism is not universal or always reflected in legal and regulatory frameworks and requirements.

The extent to which different companies and their boards conform to global corporate governance norms varies. Over-conformance and under-conformance occurs and they have different drivers (Witt et al, 2022). Could over-conformity with norms that may have been established in a previous era be associated with a shareholder-management coalition in liberal market economies, while might under-conformity reflect combinations of national and organisational conditions such as dominant interests, strong labour rights and small entity size (Witt et al, 2022)? In some jurisdictions, is there a risk that ESG and stakeholder concerns may be relegated to non-profit bodies and/or corporations set up to benefit the public as well as generate a profit (Lund and Pollman, 2021)? Should there now be a more explicit focus upon sustainability, addressing existential threats, and enabling collaboration and collective responses? What could be done and/or is needed to make this happen?

Does country-level investor protection and firm-level corporate governance actually matter? Depending upon what a board is concerned with, governance benefits should not be assumed. For example, one study of listed European financial entities across 15 countries found that what might be regarded as less auditor independence does not necessarily reduce the value relevance of accounting numbers (Cimini et al, 2022). Whatever the influence of governance principles, the conduct of directors, their decisions and policies and strategies they agree can affect outcomes. In regard to sustainability, what more should boards be doing on their own initiative? For example, how might sustainability by better entrenched in reporting practices? Voluntary sustainability reporting can be costly but over time may eventually increase firm value as understanding of how to communicate corporate sustainability initiatives grows and investors learn how to evaluate it (Friske et al, 2022). External assurance of what is reported may be helpful and positive impacts may improve further if concern for sustainability rises.

Governance for Sustainability

The boards of some companies have embraced sustainability, ESG investment criteria and UN sustainable development goals (SDGs) (United Nations, 2015). However, across many jurisdictions and sectors, contending and vested interests, continuing negative externalities and insufficient agreement on responses to shared existential threats continue to hinder progress towards sustainable lifestyles and collective business activities. As more institutions, stakeholders and boards recognise the pressing nature and likely consequences of existential threats, has the evolution of corporate governance now reached a point at which its primary focus and perhaps its main purpose ought to be about sustainability (Dandapani and Shahrokhi, 2022)? How might this be brought about? What changes are required in view of the interdependence of corporate, economic, societal and environmental sustainability and of individual and collective corporate and stakeholder conduct?

If sustainability is a key goal, do more boards need to consider the extent to which their approach to corporate governance helps or hinders its achievement? For example, the model of corporate governance adopted, whether a shareholder value, stakeholder or political CSR approach, may result in favourable conditions and/or limiting factors for the responsible innovation needed to address shared challenges facing mankind and impact the progress of sustainable development (Scherer and Voegtlin, 2020). Should an approach to corporate governance be seen as a means to a desired end, rather than as an end in itself? Corporate governance arrangements, mechanisms, structures, processes, procedures and practices could be consciously and explicitly reviewed with the purpose of increasing the focus upon responsible and collective action to address shared existential challenges and negative externalities, and achieving more socially and environmentally beneficial outcomes.

Whether or not a shareholder or investor approach to corporate governance results in responsible policies, priorities, operations, investments and innovations, and outcomes that are socially and environmentally beneficial, may be influenced by Government incentives and other rewards for agreeing or undertaking them. With a stakeholder approach much will depend upon the extent to which particularly significant stakeholders exercise the potential they might have to influence board decisions (Scherer and Voegtlin, 2020). Could and should alternative governance models and/or additional incorporation options be used to introduce a voice or other participation from a social or environmental perspective? What legal, regulatory listing and reporting steps could be taken to achieve more responsible outcomes?

Effective Climate Governance

Climate change as a consequence of collective human activity has been identified as a high priority existential threat (IPCC, 2021, 2022a & 2023). The need for cooperation, collaboration and collective action to address a shared existential threat such as climate change highlights a long recognised challenge of how best to achieve it when a variety of institutions and public and private sector bodies may need to be involved (Olson, 1965; Ostrom, 1990). Board leadership and strategy is required in relation to sustainability, SDGs, the environment and climate change (Coulson-Thomas, 2022b, f & g). Inter-related geopolitical events and existential challenges complicate net-zero projections. For example, Russian actions in Ukraine may result in greater short-term use of coal to replace Russian oil and gas, but a longer-term increase the share of renewables as countries seek to reduce or end their dependence on Russian fossil fuels and reduce or cease their funding of its aggression.

Directors need to ensure that boards are aware of the impacts of climate change, the vulnerabilities and the risks they create, and the range of mitigation measures that may be required (IPCC, 2022a & b)? Importantly, are they also aware of the many opportunities for corporate boards and companies that result from climate change (Coulson-Thomas, 2021)? Given the multiple consequences of climate change, large areas of the world may become uninhabitable and, elsewhere, people are also likely to be affected by it (Wallace-Wells, 2019)? Most people, organisations, and communities at all levels are in need of help and so are potential customers and collaborators with a shared interest in the common goal of survival in the face of climate change and other existential threats (Coulson-Thomas, 2022a). How might board strategies achieve more demanding net zero targets and better address the innovation and collaboration that may be needed to address challenges and opportunities? Do they reflect the economics of climate change and carbon and natural capital constraints?

Boards should consider the contribution they could make to building more climate resilient communities and societies. Are there particular areas of know-how, competencies, assets or cultural factors that could be leveraged? What changes and additional support might be required for the effective environmental and climate governance needed to inspire and initiate sustainable, inclusive and green economic growth? Will human capital strategies secure the talent required? Do they reflect the changing nature of work and organisations and requirements for collaboration and co-creation? How might green financing, incentives and regulations better enable needed transition and transformation and wider lifestyle changes? People and organisations in many countries face higher energy costs, exacerbated by Russia's unjustified invasion of Ukraine. How might renewable energy and other flexible alternatives to fossil fuels create sustainable energy for all in more climate resilient communities?

ESG Strategies and Sustainability

Urgent action in relation to climate change adaptation, mitigation and innovation needs to be complemented by strategies and initiatives to address other inter-related aspects of sustainability. Criteria employed by ESG investors recognise the interdependence of environmental, social and governance factors. Sustainable development has been defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Commission, 1987; United Nations, 1987). The rate at which humankind is currently using up the earth's natural capital suggests this requirement could only be met by innovation that is responsible in relation to its purpose and social and environmental consequences and rapid and radical changes of activity, priorities and lifestyles. The need for collective action in relation to public goods and the use of natural resources has long been recognised (Olson, 1965; Ostrom, 1990). It is becoming more acute as natural capital is being steadily depleted. Certain 'rare earths' are increasingly scarce.

While directors may instinctively focus on corporate sustainability, a board's ESG strategy should take the interests of stakeholders and social and environmental factors into account when deciding what to sustain in the sense of continuing and what to change (Coulson-Thomas, 2022c). Should proponents of ESG considerations and stakeholder capitalism devote more effort to stressing that addressing the interests of overlooked stakeholders, including the environment, also advances those of shareholders (Lund and Pollman, 2021)? Governance arrangements, corporate purpose, goals, objectives and activities, and operations and practices to achieve them, may need review and amendment to embrace wider and ESG considerations. How might they be embedded in strategies, investments, initiatives and communications to address negative externalities and have a more positive impact on corporate profitability, social and environmental impacts and stakeholder relationships?

Directors and other professionals should think through the impacts of what they do and/or advocate for improving productivity and performance to ensure that it is economically viable, socially acceptable and environmentally sound (Muir, 2021). They may need to take what is reported to them about sustainability performance with a pinch of salt, depending upon how it is measured and the extent to which negative externalities are addressed. The impact of sustainability metrics can depend upon a combination of factors and how they interact in a particular context (Slager et al, 2021). Independent and objective advice is important for shareholders and other stakeholders, as it is for directors and boards. For example, while proxy advisers may have an interest in providing subscribers with precise and unbiased research reports, they may also benefit from 'creating controversy' in recommendations available to all shareholders (Malenko, 2021). The trust needed for effective collaboration, partnering, and balanced and effective responses to existential threats, may require greater candour and openness in relation to their likely impacts and negative externalities.

Enhancing Board Committee Performance

Discussion of corporate governance arrangements should not overlook the contribution of board committees. Governance codes for particular jurisdictions may advocate certain committees (e.g. FRC, 2018). What role should they play? How might their performance be enhanced? Factors such as firm size and the proportion of independent directors can influence committee activity (Chen and Wu, 2016). Are some issues delegated that should be addressed by the whole membership of a board? Do the committees mentioned and/or recommended in corporate governance codes correspond with current requirements? Are they dealing with issues such as sustainability and climate change that may impact the work of more than one committee and require board involvement, direction and oversight? Do committees sometimes result in unnecessary delay without adding much value? Should some committees be temporary, perhaps an ad hoc response to a particular need for more detailed discussion?

The work of a committee may be covered by legislative and regulatory requirements, as is the case for CSR committees for those companies to whom they are applicable in India. Other guidance is available, some of which may also be appropriate for making better use of subsidiary boards (Lawrence, 2020). Various academic studies have also been undertaken of aspects of the work of particular committees and those in general (Kaczmarek and Nyuur, 2016). The effectiveness of committees can depend upon their remit, the context in which they operate, their membership, how they conduct their business and are chaired, and the governance, policy and strategy frameworks in which they operate. For example, the influence of a sustainability committee may depend upon a company's sustainability strategy (López-Arceiz et al, 2022). What more could board committees do in helping and supporting the development of policy, monitoring areas of activity and performance, and reviewing aspects of compliance? Are their terms of reference and performance regularly reviewed? Are overlaps and gaps in responsibilities and abdication of main board responsibilities avoided? Does director and board development address the requirements of particular committees?

Independent directors can make a significant contribution to the work of committees as well as a main board. For example, there is some evidence from a sample of listed Indian companies that active independent directors and what is regarded as 'good' corporate governance are among the factors that can inhibit related party transactions (Islam, 2022). How might the role of independent directors be strengthened? Are the composition of committees and their relationships with both main boards and management also regularly reviewed? Audit committees can benefit from members with recent financial experience. Should some boards pay more attention to the role internal and external audit as well as audit committees can play in ensuring effective corporate governance (Sandhya, 2021)?

Transforming Risks into Opportunities

Risk committees are especially critical for financial services companies and increasingly found in other sectors. Many of them are encountering a widening range of environmental and sustainability risks, including those associated with global warming and climate change. Although focusing on corporate risks, many boards still ignore challenges and related risks facing the communities, societies and natural environment in which they operate. Risks overlooked include those that threaten many of their stakeholders and are of increasing concern to them. While the risks of challenges and existential threats may be considered, how might opportunities associated with them, such as helping those affected to cope, be better explored, including in association with those directly affected? A wide range of inter-related issues need to be weighed and addressed in order to tackle climate change (Berners-Lee, 2019). Adaptation, mitigation and transitions will require the review and the redesign, reinvention and remodelling of infrastructures, services, built environments, processes, systems, business models and lifestyles, creating unprecedented needs for support.

Business teams should identify and understand the risks that climate change poses in order to mitigate and adapt to them, pursue related opportunities and ensure that climate goals can be achieved. How should boards be involved in this arena, while also engaged with geopolitical risks, the consequences of de-globalisation, international supply-chain matters and strategies for dealing with fraud, cyber threats, crises and disasters? How might stakeholders be better involved and perhaps consulted on certain issues, for example prioritisation? The case has been put for the bottom-up participation of communities to strengthen their position as the "third pillar" of a democratic society in addition to markets and the state (Rajan, 2019). Certain communities are heavily dependent upon particular local enterprises. How might local communities and groups such as city authorities, municipal bodies and key and other customers best be engaged and involved by contemporary corporations? Are corporate and collective audit, assurance and monitoring processes, and vigil mechanisms 'risk-centric'?

What should a board's role and prerogative be in relation to risks, crises and disasters, whether or not they have been previously identified as possibilities? The experience of the Covid-19 pandemic has highlighted national vulnerability to an emergency that affects the whole of government, society and the economy (NAO, 2021). Governments and international organisations and institutions need to strengthen their preparations for system-wide emergencies. Hitherto, collective activities have often increased risks. They frequently create new challenges, rather than address existing ones. For example, fossil fuel consumption has grown fastest since scientists confirmed that it is the main cause of potentially devastating global warming (Pirani, 2018). Warning signs can be consciously overlooked. Credibility has long been recognized as a crucial component of risk and crisis management. The attribution of credibility generally stems from leadership that is exercised being thought of as competent, fair and able to deliver promised outcomes efficiently and effectively (Lofstedt, 2005).

Technology Governance and Strategy

A sense of perspective and balance is needed when considering risk and opportunity. They are often an inevitable consequence of being alive, movement and the passage of time. Boards should avoid being distracted by those risks and opportunities that are inconsequential and limited in their impacts (Rabin, 2019). This is especially so in relation to scientific and technological developments whose potential, utility and practicality may not be immediately apparent. Fintech and other applications of technology could and in some cases are having a beneficial impact depending upon their purposes, which could be to address existential threats and support progress towards more sustainable and inclusive societies (Skinner, 2018 and 2022). How many boards have access to the support they need to dispassionately assess the advantages, drawbacks and consequences of new technology adoptions? For example, while blockchain applications may mitigate certain costs, they may also increase others and some areas of risk and might have multiple implications, which could include for contracting, organisational model and corporate governance (Murray et al, 2021). What should boards do to obtain the objective, informed, considered and balanced help and advice they require?

Inappropriate or inadequate governance arrangements can contribute to why some applications of new technologies fail to live up to expectations. For example, coordination and control can be a particular corporate governance challenge in relation to enterprise blockchain applications (Goldsby and Hanisch, 2022). There may be negative unforeseen implications (Tenner, 1997). How might digital and technology governance be improved? What should a board's focus and strategy be on scientific advances, digitisation, cyber risk and digital, infrastructural and other forms of resilience? What principles and frameworks should it adopt? Which trends, developments and possibilities should be followed and assessed? How should the potential benefits of automation, big data analytics, artificial intelligence (AI), machine learning, and cognitive systems be harnessed to allow people and technology to better work together in the pursuit of corporate purpose and objectives? What about digitisation in the boardroom and cloud data governance? How should augmented reality, blockchain and the metaverse be embraced?

Boards and people in general need to think about how to live with technology and use it beneficially (Nilekani and Bhojwani, 2022). Without responsible innovation it may be impossible to effectively confront existential and other 'grand' challenges and achieve sustainable development (Scherer and Voegtlin, 2020). How might boards best inspire a culture of responsible exploration, discovery and trial, and stimulate creativity, enable innovation and support entrepreneurship (Coulson-Thomas, 2017a & b)? Are creative collaboration, co-creation, experimentation and intrapreneurship encouraged? Given the need for innovation and entrepreneurship, is insufficient effort being devoted to the particular issues and requirements of effective and value-adding venture governance (Garg, 2020)? Should more attention be devoted to the governance of innovation, start-ups, new ventures, networks, value chains, collaborations, projects, partnerships and partnering arrangements?

Corporate Governance for a New Era

Recent events and existential threats have highlighted the limitations of contemporary corporate governance as Governments and regulators struggle to keep up with changing requirements. They also sometimes illustrate governance benefits. For example, an investigation of the effects of planned and unplanned suspension of production on firm value, suggests that 'good' corporate governance might alleviate the negative effects of planned suspensions and enable those with strong corporate governance to recover more quickly from unplanned suspensions than those with 'weak' corporate governance (Kwon et al, 2022). Much can depend upon the situation and context. Thus whether an event or disruption is planned or unplanned can influence the impact of corporate governance and whether a company is part of a wider group can affect outcomes (Kwon et al, 2022).

How could and should current legal and regulatory governance, audit and reporting requirements be changed and applicable governance codes reformed? What would boards like to see more of and less of? Climate change is creating multiple opportunities for directors and boards (Coulson-Thomas, 2021). Is governance a help or a hinder in relation to sustainability, confronting existential threats and seizing such opportunities? What changes would better align governance and sustainability considerations and requirements? Should and how might governance be integrated into a sustainability framework? Legal and regulatory changes can have positive and/or negative implications for the nature, timing and speed of sustainability initiatives and action to address existential threats, For example, reforms to strengthen corporate governance can impact cross listing and international capital flows, and so might benefit firms and sectors seeking external capital (Liao et al, 2022).

An increasing range of disclosure and reporting requirements relating to environmental, social and governance (ESG) factors could impact the investment and lending appetites of EU financial institutions and new rules and investor demands could constrain the ability of some companies to raise capital (KPMG, 2019).As higher costs of increased sustainability related regulations materialise at a time of inflationary pressures, will more directors raise questions about their timing and desirability? Might a greater alignment of interests be achieved with a greater focus upon affordability and ease of implementation, cost-effectiveness, the principle of subsidiarity, flexibility and diversity to suit particular circumstances and requirements? Do global corporate governance practices and their adoption reflect the relative power of different interests (Witt et al, 2022)? How might the interests of a wider range of stakeholders and those of future generations be embraced? Should governance, its institutions and corporate boards be more diverse and inclusive?

Diversity and Inclusive Governance

In certain jurisdictions, have institutional interests created a relative homogeneity across public company boards (Lund and Pollman, 2021)? Does this include aspirations, approaches and priorities and contribute to a lack of challenge and groupthink (Janis, 1972)? Are corporate governance codes and norms increasing and/or entrenching homogeneity and/or a reflection of influential interests? Women may be more likely to exhibit environmental concern and both engage in and support environmental action (McCright and Xiao, 2014; Kennedy and Dzailo, 2015). However gender differences may not impact institutional trust and the relationship between this and environmental concern (Xiao and McCright, 2015). Would greater diversity, for example according to situation, circumstances, context and stage of development result in more relevant and innovative corporate governance? What account should a drive for greater diversity take of age, gender, ethnicity, nationality, backgrounds, experience, skills, personal qualities, interests, perspectives, relationships, priorities, strategies, challenges, opportunities or other factors when searching for and selecting candidates for board appointments?

While particular forms of diversity, whether gender or the independence of directors may have their champions, governance conduct, focus and outcomes can again depend upon situation, circumstances and context. For example, a study of Portuguese listed firms found that a higher level of managerial ownership and diversity can have a positive impact on performance, but no evidence was found that a representation of three or more female directors leads to an increase in performance (Vieira and Nogueira, 2022). What more should be done, and what should the priorities be? How should we build more diverse, ethical and inclusive boards? Diversity of approach, disciplines and ways of thinking can be conducive of creativity and innovation (Coulson-Thomas, 2017a & b). Should the proportion of independent directors on many corporate boards be increased? How might this be achieved? Is there an imbalance between the rewards of independent directors and their accountabilities, responsibilities and liabilities? Is collaboration a route to independence and greater diversity?

Boards may need to adjust, adapt and learn how to influence, operate and impact in a more politicised world (Zammit-Lucia 2022). Should and can the governance community do likewise? Can they change quickly enough to enable companies to cope with sustainability challenges and existential threats? Have we reached the limits of the ability of our current approaches to corporate governance to meet stakeholder requirements, unless new models and practices are adopted and better support is provided? Whether the relationship between performance and corporate governance quality is positive, non-existing or negative can depend upon the methodology used and the measures of performance and governance quality that are employed (Guney et al, 2019). Engagement with shareholders and other stakeholders can be critical. Do stewardship codes need amendment? Could they and more effective stewardship deliver sustainable value for beneficiaries, the economy and society?

Sustainability in a New Era

Should companies consult shareholders and other stakeholders on their sustainability concerns as well as on their governance, consultation and involvement arrangements, processes and practices? Would stakeholder relations guidance that complements that on stewardship be helpful? The need for corporate and collective action on sustainability and existential threats is pressing. In regard to nationally determined contributions to addressing climate change, greater ambition is required as more needs to be done (UN Climate Change, 2021). In view of the size of India's population, its growth rates and the number of people vulnerable to extreme weather events and other consequences of global warming, supporting national progress towards sustainability and 'net-zero' is especially important for Indian boards. India is already the third-largest carbon-emitter after China and the US, with transport a major contributor. For some years to come, it could be the main driver of increased global demand for energy. The scale of challenges is matched by that of associated opportunities.

The key to continuing corporate relevance could be contribution to the creation of more sustainable and climate resilient lifestyles, communities, cities and societies, food and energy security, and biodiversity and environmental protection and restoration. This may involve collaboration with other organisations in circular economy opportunities, public-private partnerships and participation in recycling and other activities to safeguard scarce natural capital. Welcome collaborators and partners are those prepared to limit negative externalities and increase, accentuate and leverage positive ones so that they contribute more than they take to deliver a net positive environmental and social benefit (Polman and Winston, 2021). Considering their national and international significance, and the need for public-private sector collaboration and partnerships, should more attention be focused upon corporate governance in state-owned enterprises (Miazek, 2021)?

Responsible, sustainable, inclusive and socially and environmentally beneficial activities, operations and outcomes and the initiation, organisation and support of corporate and collective action to address existential challenges could be a core purpose of companies and their boards (Mayer, 2018). What changes of behaviour, conduct, culture, focus, perspective and priority might its realisation require? For example, appropriate incentives and understanding which actions impact upon sustainability and costs may encourage sustainability actions and improvements (Windmark et al, 2022). Efficiency drives and activities and initiatives that increase utilisation and reduce waste or energy consumption can also benefit the environment and contribute to sustainability (Muir, 2021). Corporate teams sometimes compete to suggest how sustainable their companies and their offerings are. How might directors and stakeholders distinguish between rhetoric and reality? Exaggeration, deception and activities like greenwashing can damage the legitimacy, standing and trust required for effective collaboration and collective action. How can they be avoided?

Value Driven Governance and Sustainability

Responsible board leadership should ensure future business models and economic growth are more environment friendly and sustainable (Coulson-Thomas, 2022g). Values may not be explicit in questions so far raised, but personal qualities and especially integrity are critical in directors. As well as doing what they feel is responsible and right rather than convenient and easy, those who are honest may recognise a lack of it in others and sense where this might be found. Consumers and responsible directors should be alert to deception and puffery on packaging if advertising and promotional executives make exaggerated claims regarding its sustainability (Steenis et al, 2022). Directors should treasure their power to take decisions that others may implement if they remain engaged and vigilant, and their ability to establish a purpose, vision, values, goals, objectives, policies and priorities that can influence what others do and may even inspire them. They can set an example, encourage others to live in harmony with the natural world, support necessary transition and transformation journeys, and energise, guide and motivate future value driven leaders. Involvement in sustainability research during their education may have a long-lasting impact on the interest in sustainability of young professionals and their commitment to it (Griswold, 2022),

Uncertainties persist concerning how markets, Governments and regulators will react and respond to existential threats. What are the visions, objectives and priorities of key players? How will sustainability and climate risks be priced in different markets and sectors? Will progress towards sustainability, net-zero, governance reform, and more responsible and inclusive growth and capitalism, be driven by corporate boards or forced upon them? Will shareholders, other stakeholders, Governments and regulators pressure them to address the externalities corporate activities inflict on them, others and the environment? If aspirations align around a common goal of survival, might common interests increasingly confront self and vested ones (Coulson-Thomas, 2022a & g)? As contending interests compete for influence, and geopolitical fault lines extend, will less resilient boards that lack inward direction be pulled in different directions. To what extent should current corporate advantage and shareholder returns be forgone to benefit wider and future interests and the environment?

Humankind has survived multiple crises, disasters, pandemics and wars over the ages. While mindful of the needs of future generations and the importance of safeguarding natural capital, will business and other leaders and the people they serve learn from past generations? Going forward, are there lessons and principles that could be derived from ancient Indian wisdom that might underpin collective action on sustainability, whether in furtherance of corporate objectives and compliance or lifestyle changes (Vallabh and Dadhich, 2016; Coulson-Thomas, 2019)? For example, irrigation for sustainable food production has been undertaken in India since prehistoric times, including the use of water from wells, tanks and canals (Biswas, 1965). With increased demand and some water tables falling, what can be learned from such practices, other locations, and domains such as plant genetics? Directors should be curious, alert and open to ideas, evidence and possibilities. They should also encourage curiosity, exploration and enterprise in others.

Reviewing Governance and Sustainability

Environmental and related social risks abound (WEF, 2023). Impacts can be severe and in some cases their frequency is increasing. In the first nine months of 2022 extreme weather events were occurring somewhere in India on approaching a daily basis resulting in significant losses of life and livestock and destroying homes (CSE, 2022). Relatively little attention may be paid to certain risks. For example, up to 15 million people face risk of catastrophic flooding from glacial lakes which could burst their natural dams at any moment

(Taylor et al, 2023). People living in India, Pakistan, Peru and China account for over half of those at risk. In Asia, around one million people live within just 10km of a glacial lake. Unwelcome consequences of corporate activities and many contemporary lifestyles persist. Misleading and false claims and attempts to deceive or distract abound and greenwashing appears widespread (Guriev and Treisman, 2022). Competition and the desire to survive can result in undesirable behaviour and negative externalities (Frank, 2012). Are governance practices focusing on competitive advantage rather than collaborative advantage? Might greater diversity on corporate boards increase awareness of social and environmental consequences and the urgent requirement for collective action to address them (McCright and Xiao, 2014; Kennedy and Dzailo, 2015)?

Critical thinking and asking the right questions can be critical (Coulson-Thomas, 2022e). Is a review of governance and sustainability expectations, requirements and practices overdue? The extent to which the consequences of board discussions and decisions, and the policies and strategies they agree, are beneficial or harmful can depend upon their purpose and focus and the perspectives, motivations and priorities of directors. They can also be influenced by the information, guidance and support directors receive. Accounts, reports and other inputs to decision makers should fairly reflect the externalities of corporate operations and activities. How might the purpose of governance and the focus of boards better serve the interests of a wider range of stakeholders and embrace social and environmental considerations? Should they more explicitly encompass responses to existential threats and ensuring human activities and lifestyles are responsible, sustainable and in harmony with our planet's eco-systems?

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Abstract

Environmental and social issues, risks and threats often feature more prominently in news reports, areas of concern and rankings of global risks than those relating to governance, the third element of ESG. There are various issues and questions that people with governance roles and responsibilities, and particularly directors and boards, might wish to consider in order to identify possible integrating and unifying factors and ensure corporate governance arrangements and practices are consistent and synergistic across the three ESG arenas. These include those relating to effective climate governance, ESG strategies and sustainability, enhancing board committee performance, transforming risks into opportunities, technology governance and strategy, governance for a new era, diversity and inclusion, value driven governance and sustainability, and how accounts, reports and other inputs to decision makers should fairly reflect the externalities of corporate operations and activities.

New governance approaches, models and practices may be required if governance is to embrace networks, value chains and collaborative responses to existential threats, and facilitate needed adaptation, responsible innovation, transition and transformation journeys, and the collective responses needed to confront a challenge such as climate change. Directors and boards could also explore how corporate purpose, the purpose of governance and the focus of boards might better serve the interests of a wider range of stakeholders, embrace social and environmental considerations, and more explicitly encompass responses to existential threats and ensuring human activities and lifestyles are responsible, sustainable and in harmony with our planet's eco-systems. What represents good governance could and perhaps should enable and support responsible leadership in relation to sustainability and the achievement of UN Sustainable Development Goals, climate change adaptation and mitigation, environmental concerns, and collective responses to shared existential threats.

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