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Steering toward strategic sustainability

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One usually believes that business is about making money, ie, to maximize profits for risk-taking shareholders. Directors and executives of for-profit organizations have the legal obligation to optimize their profitability. However, it can be argued that optimizing revenues and profits should not cause significant externalities that negatively affect stakeholders or even directly harm people and communities. This kind of organizational harmful behavior is no longer acceptable in the current global economy where reputations, built over years, can be destroyed within minutes or days. Firms are increasingly scrutinized by concerned stakeholders these days.

External pressure and internal identity

Organizations need a wise board that is able to answer fundamental questions around not only the economic, but also the socio-ethical and ecological sustainability of the organization. A central idea or purpose that is clear and compelling to everyone (especially management, employees and customers) to move the organization forward is needed. Often, such a compelling idea is engrained within a broader and more sustainable context of a purposeful organization. And this is not just caused by increased external pressure from stakeholders such as climate activists, stricter government regulations or more conscious and demanding customers who want ecological, ethical and fair trade products, but as much by demanding, mindful managers and aspiring employees who see this built-in sustainability vision as a way to improve productivity and meaning in their jobs.

And last but not least, an increasing number of investors believe that sustainability should be part of the performance benchmarks beyond mere short-term profitability. It is clear that "corporate leaders will soon be held accountable by shareholders for non-financial environmental, corporate and social governance (ESG) performance. It is not a coincidence that in early 2019, BlackRock CEO Larry Fink, head of one of the biggest global investment funds based in New York with more than $5.7 trillion in assets under its management, and making almost $5 billion in profit on $12.5 billion in earnings, urged his colleagues to link profit to purpose and constructively engage with important stakeholders to integrate sustainability into their performance measures. It is obvious that these investors are not acting out of altruistic motives, but believe that corporate responsible investments will create more value for their organizations both in the short term and definitely over a longer period.

A recent research study by Accenture and the United Nations Global Compact confirmed that 93 percent of CEOs believe sustainability will be critical to the future success of their businesses, and 91 percent report that their organizations will employ more innovative technologies to address these sustainability challenges. Almost 67 percent of global CEOs strongly believe that sustainability has become crucial for their strategies, and more than 90 percent are convinced that collaboration between companies, government institutes and nonprofit organizations is needed to materialize more sustainability strategies. And a recent survey confirmed that investors want their organizations to become more sustainable. A 2016 study by PricewaterhouseCoopers of sustainability reporting by 470 companies in 17 countries found that 62 percent mentioned the UN Sustainable Development Goals, although less than one-third provided precise quantitative targets that linked performance to social and environmental impact.

More than half of global asset owners are currently implementing or evaluating

ESG considerations in their investments. Moreover, a study by Robert Eccles and Svetlana Klimenko in the May-June 2019 issue of *Harvard Business Review* reveals that organizations that developed processes in the early 1990s to measure, manage and communicate performance on "material" ESG issues that impact a firm's valuation outperformed a peer group over the next 18 years – by as much as 40 percent in some instances. In addition, asset owners such as pension funds are increasingly demanding responsible investments. This is a trend that is accelerating. Finally, there is an evolving view of fiduciary duty, where recent legal opinions and regulatory guidelines make it clear that it would be a violation not to consider ESG factors. One of the consequences of this growing trend is that shareholder activism with respect to ESG is on the rise in financial markets.

Although it likely will take time for Indonesian companies to take notice of the growing pressure to become more ecologically and socially sustainable, it does not excuse executives, managers and boards to ignore the trend for more sustainability. Admittedly, our own research on a possible correlation between financial performance and corporate governance responsibility did not clearly reveal any statistical impact, with the exception of the insistence by foreign investors to adhere to less corrupt practices.

However, my personal experience with Indonesian palm oil and mining companies in the field of risk management and corporate governance has convinced me of a growing awareness by owners and their executives to acknowledge the importance of externally driven reputational risk, and also the potential benefits of being identified as a good corporate citizen. The fact that investors and regulators are now more frequently requesting ethical and responsible management indicates that we can expect other demands to perform beyond mere profitability to follow suit.

Quite a number of cases and international studies reveal that "socially responsible investments," which adhere to stricter environmental, social and corporate governance criteria, are expected to lead to higher productivity and operational efficiency, while complying with market expectations. The biggest barrier is that most ESG reporting, be it the Global Reporting Initiative or the Sustainability Accounting Standards Board reports, is catered not to other investors but directed at stakeholders such as nongovernmental organizations. The reported numbers in these ESG reports are rarely subject to a rigorous audit by trusted third-party professional. Nonetheless, while the quality of ESG data may not be perfect yet, these reports are rapidly improving, especially among big asset managers and institutional investors such as BlackRock, CalPERS and Vanguard. And now a European Union directive requires all European companies beyond a particular size to report nonfinancial information once a year.

Despite the challenges and barriers to accurately measure nonfinancial data such as ESG, corporate leaders should help to make ESG reporting more reliable and quicker. It will be helpful for organization to adhere to certain minimum standards such as those employed by the Global Reporting Initiative and the Sustainability Accounting Standards Board and include those accepted standards in their external reporting. Companies should also push software vendors providing financial information to extend into ESG metrics, which in all fairness some large software houses are working on. And companies should press their audit firms to provide assurance on reported ESG performance, just as they do for financial performance. Admittedly, the need for standards and better and more integrated IT systems, as well as liability concerns, may dampen ESG reporting. These barriers can be addressed to accommodate the changing focus of investors toward sustainability performance aside from the financial performance of firms.

Moreover, boards and their organizations behaving more responsibly can signal more effective management as well as enhanced employee productivity, higher retention and attraction, and even potentially increased innovation potential. Responsible boards will also find communities more eagerly accepting their investments, and subsequently implicitly or even explicitly giving these organizations a "social license to operate" that lowers their risk, as well as the cost of capital. In other words, the debate on the importance of more corporate social responsibility can be seen as over in the developed business community, although still lagging behind in emerging markets.

The role of the board is to "promote the long-term sustainable success of the company," suggesting a reinterpretation of the fiduciary duty of care and loyalty of all executives and members of the board to the organization. Moreover, the board's responsibility vis-à-vis the demands for more sustainability requires an extension of the notion of accountability beyond merely being accountable to shareholders for financial performance. The "G" of the ESG criteria is still the most influential among investors. Companies in emerging markets such as Indonesia may signal to potential and existing investors their commitment to strengthened accountability and responsible behavior.

Currently, quite a number of foreign investors may emphasize the governance aspect, and especially the protection of minority property rights, rather than being concerned with environmental and social objectives. However, more enlightened institutional investors and those stakeholders whose reputations may be at stake, including international banks that provide loans to environmentally damaging projects, will take all three aspects of ESG seriously when looking for financial yields in emerging markets. In other words, there is increasing pressure from activists, NGOs and customers on institutional fund managers to choose "proper" companies that are "doing the right thing," and to avoid organizations such as palm oil companies that are not subscribing to the standards of the Roundtable on Sustainable Palm Oil. Even in emerging Asian markets, bigger organizations often have foreign investors who value ESG, especially proper governance practices, or these firms are part of a global value chain where employees are considered concerned stakeholders, and the environment is a key issue.

Responsible leadership beyond financial accountability

Many reasons exist why enterprise executives and investors in firms are increasingly committed to sustainability, often with a strong connotation of corporate social responsibility (CSR). Today, executives of multinational enterprises refer to CSR more often as corporate shared-value, such as Nestlé and Unilever. What drives enterprises to embrace CSR, corporate shared values (CSV) or environmental, social and governance criteria performance indicators?

The "mainstream" considers a firm as a "nexus of contracts" between the principal and the agent, labeled as a "principal-agency model." This may need to be translated into another form of governance in a changed post-industrial knowledge society. Moreover, the current conceptualization of a firm does not sufficiently address the new challenges of globalization and post-national tendencies that likely will have a profound impact on public and corporate governance. The UN Global Compact is making socially responsible management at private enterprises a moral and political aspiration, if not a subtle obligation. Business leaders are accountable for the long-term or sustained performance of the firm. We argue that the firm defined as a nexus of contracts should be reinterpreted and broadened to the organization as a nexus of relationships (be it contractual or informal), which can and will impact its value creation on the opportunities upside, and value preservation on the downside.

Unfortunately, at the heart of most enterprises' untrustworthy behavior is disrespect for customer, employee and community concerns, and a near manic obsession by top executives with short-term financial results and a disregard for longer-term financial and nonfinancial implications, partially due to misaligned incentive systems. Short-term-oriented companies dismiss the long-term consequences of their actions in order to generate current-period profits, feeding the potential bonuses of executives and potentially pumping up stock prices to meet the expectations of analysts.

We believe it is the fiduciary duty of any board member, manager or employee to take care of the company to which they will be expected to be loyal. From a short-term perspective, they will need to materialize the objectives to create but also capture value that is translated into revenues, costs and profitability. However, management will also need to take into account the justifiable concerns of other relevant stakeholders that are derived from the firm's activities, be it ecological consequences or socio-ethical objectives. For corporate leaders, the most constructive question is not whether corporate social responsibility "pays," but instead under what circumstances and how to implement corporate accountability to engender legitimacy and potentially constitute some form of legacy?

The business case of strategic corporate responsibility, however, widely publicized in the glamorous notion of "shared value creation" expounded by Michael Porter and Mark Kramer in *Harvard Business Review* in 2006 and 2010, aims at "doing well by doing good" by embedding this ecological-ethical identity into the business models of corporations. Such corporations may likely be able to trump less effective or less efficient competitors in the process. A good strategy that encapsulates responsible and more sustainable corporate behavior would be able to produce more value for society for every dollar spent or invested, analogous to charging a higher premium price, or to produce as much value using fewer resources – the equivalent of lower costs. In both cases, the firm would obtain a competitive advantage as a result of enhanced responsible behavior, even if it is only in a particular niche. Although we deliberately distinguish between accountability, underpinning its license to operate to secure its legitimacy, and responsibility, which likely engrains a form of identity of such social and ethical behavior, in most discussions the two notions are used interchangeably.

Paradoxically, pursuing the creation of shared value and improving the skills of human talent while reining in extreme selfish corporate behavior may help to improve the competitiveness or productivity of corporations. Sharing value with stakeholders may become the corporate narrative of enterprises, allowing them to be perceived not just as being trustworthy (ie, honest) but also trustworthy. Indeed, the notion of sustainability or corporate social responsibility can be embedded in a strategy: (a) reduce potential reputational risks or as a social safety net in cases of crises; (b) enhance the brand reputation of an enterprise; (c) express and embed the purpose of a more responsible "vanguard" enterprise; or (d) align non-financial objectives (as in ESG reporting) with financial long-term planning.

However, promoting presumed trustworthy behavior could backfire in cases of suspected greenwashing. Big multinational enterprises are under much more external scrutiny than smaller companies that may remain under the radar. It is increasing market pressure for more transparency and disclosure that makes multinational enterprises more vulnerable to reputational crises. The increased pressure on firms to act ethically and ecologically sound is reflected in the fact that 84 percent of Americans would switch brands to products associated with a good cause, provided the price and quality are similar. Similarly, 79 percent of Americans take corporate citizenship into account when deciding to purchase a

Seventy-nine percent of Americans take corporate citizenship into account when deciding to purchase a particular brand.

particular brand, and 36 percent consider corporate responsibility an important factor in their purchasing decisions.

It is assumed that firms with a high dependence on intangible assets will therefore make more efforts to establish and execute corporate social responsibility initiatives. And although context and national specifics play a role in determining the importance of CSR initiatives, overall the greatest growth in the importance of intangible/tangible ratios is in the following industries: technology, hardware and equipment, insurance, telecommunications services, food and beverages, and tobacco. Their reputations are quite sensitive to changes or shifts in expectations by consumers and other stakeholders, especially in terms of ethical and ecological corporate activities. The effect of alleged water drainage by Coca-Cola manufacturing in India or Google's privacy infringement of confidential information channeled to Chinese authorities, leading to the imprisonment of a Chinese activist years ago, has proven the importance of preserving corporate reputation.

The answer to avoiding such reputational damage is to enhance the accountability of an organization and its executives. And to do so, CEOs and boards need to design organizations so that they become more

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ethical and act beyond mere compliance. It starts with creating an ethical culture within, not just in terms of beliefs and values, but also systemically designed to engage in more ethical behavior and make ethical principles foundations of strategies and policies. To succeed, boards need to hire the right CEOs and board members, to evaluate them according to those foundational principles and compensate these top executives accordingly.

Indeed, there seems to be an ongoing shift from the traditional board's role of monitoring top executives – vertical accountability – to favoring horizontal accountability through multimarket pressure. In other words, organizations are assumed to become much more accountable and responsible, not just to the traditional providers of capital and investors, but also to stakeholders that have a real stake in the enterprise. Firms need to think beyond mere public relations crisis management or compliance to the letter of the law. Merely reacting to events may undermine long-term competitive advantage.

What made a firm successful and profitable yesterday, often externalizing harmful effects in the process, may cause reputational disaster today. That the rules of doing business have significantly shifted during the past two decades has lead leadership to acknowledge that firms can no longer ignore externalities, especially those negative side effects caused by the firm's activities. It may be in the immediate and legitimate interest of a board to proactively broaden the firm's objectives and fiduciary duties. Some authors have attempted to expand fiduciary duties, resulting in a multifiduciary model or multiple principal-agent model that implies that there exists a number of relevant stakeholders with legitimate claims who should be addressed before the residual shareholders' claims for profitability. Hence, maintaining good relationships with those concerned and legitimate stakeholders has become crucial for organizations to preserve their value and good reputations.

Obviously, board members have a fiduciary duty of both loyalty and care to their organizations. Multimarket accountability or horizontal accountability requires boards to be accountable not just to capital providers (ie, vertical accountability) but also to other "markets" (employees, customers, community and government) that expect some "sustainability" from the firm. By "merging" the shareholder theory model with some valuable aspects of the stakeholder and stewardship model, the argument goes that by taking the relevant stakeholders' interests into account, the firm will reduce potential conflicts in the future and thus retain its good reputation. In such a conflict resolution hypothesis, sustainability and corporate social responsibility are perceived as important tactical tools to address potential reputational risks.

That sustainability has become a strategic topic for many boards is revealed in the fact that a number of organizations, trying to protect their assets and supply chains from increasing severe natural disasters, are not waiting for governments to react and impose regulations to abate ongoing climate change. More and more companies are bracing for an uncertain and volatile (ecological) future and have started to implement an internal carbon price for their investment projects as to implement a form of shadow pricing for the (most often negative) externalities: increased carbon or other "toxic" emissions caused by the organization.

Such internal carbon pricing allows firms to put a measurable value on emitting one ton of carbon, even when their current operations are not subject (yet) to external carbon pricing policies and related regulations. Such internal carbon pricing on future investments indicates that companies want to become more transparent about capital investments that may affect future emissions or energy efficiency, or changes to the portfolio of energy sources used by them. Second, such internal carbon pricing allows firms to manage the financial and regulatory risks associated with existing and potential government climate change policies, be it through a carbon tax, a cap and trade regulation or carbon pricing implied by regulation. And finally, such transparency on investments and their calculated side effects help firms to identify threats and opportunities as consequences of climate change and adjust their strategy accordingly. Unfortunately, such "privacy" practices are not yet popular in emerging Asian markets, which nonetheless belong to the biggest environmental polluters in absolute terms.

Whether it is the pressure by multimarket forces to engage boards and their top executives to cater for some form of horizontal accountability to a number of different stakeholders beyond mere accountability to investors or shareholders, or whether executives will undertake endeavors to multinational enterprises to minimize potential reputation risk, most arguments used by small and medium enterprises are somehow related to preserving legitimacy vis-à-vis crucial and powerful stakeholders such as government institutions, engaged productive employees or a large customer base. Unilever, for instance, interprets its relatively new narrative as based on a more sustainable business model.

Indeed, building up a reservoir of public goodwill through "sustainability" strategies or corporate responsible behavior can shield companies in times of trouble.
In that sense, sustainability that builds goodwill and good reputations is a form of insurance that protects companies in difficult times. Unfortunately, the disastrous transformation from the old reputational model we here defend to the existing "buyer beware" model in finance – a cynical Wall Street versus traditional Main Street where reputation rules – can be attributed to the growth of reliance by financial intermediaries such as investment banks and rating agencies on regulation rather than reputation to protect customers, and the growing regulatory complexity that favors individual technical expertise over

reputation. The original fiduciary model does not need to be completely changed, but slightly reinterpreted to its original meaning to optimize the value of a legal entity – the organization – supported and financed by visionary and decent investors, steered by an insightful and wise board, managed by smart and wise executives, leading inspired employees who see meaning in their job to convince critical and hopefully loyal customers, and an endorsing community.

Has ESG become the new standard measurement for proper accountability and responsibility within firms? When ESG, directly or indirectly encapsulating CSR activities, becomes built-in or baked into the firm's strategic or economic financial objectives to make socio-ecological sustainability part of the DNA of the firm, the enterprise and its board start to function as "syncretic stewards," serving reference shareholders and concerned involved stakeholders.

An engaged board

Boards will likely continue to struggle to deal with these ever- changing and

AFP PHOTO/BANGKOK POST/THITI WANNAMONTHA

Volunteers and staff from Unilever Thailand help pack relief bags at the Thai-Japanese Stadium in Bangkok in 2011, which were donated to flood victims under a campaign called Unilever Take U Home.

uncertain realities on the ground, and to find a balance to be accountable for the firm's activities and to be responsible for socio-ecological challenges directly caused by its activities. However, by tapping into this different way of thinking and by addressing the global challenges of sustainability, companies could create corporate sustainable value implicitly or explicitly addressing market trends, expectations or requirements by these multimarkets.

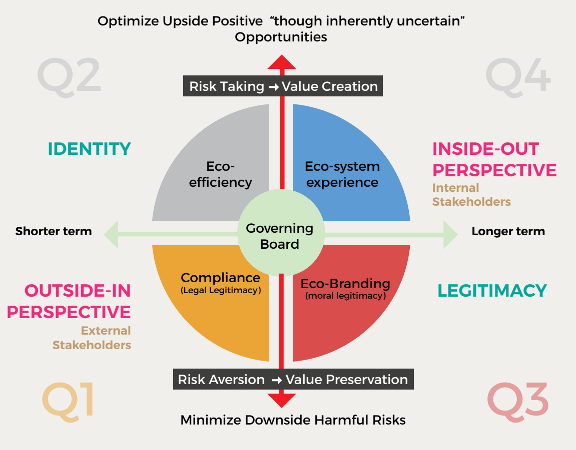
Corporate responsibility and sustainability should therefore be part of an "organizational system" and a broader ecosystem awareness.

Unilever, an example of a leader in sustainability and CSV, is trying to find new ways of doing business by working with others to accelerate social transformation, and to embed sustainability at the core of its corporate strategy, brand and company vision, and mission statements. Unilever's Compass Strategy, for example, aims to "double the size of the business, while reducing the environmental footprint and increasing its positive impact," and argues on its website that it "will lead for responsible growth, inspiring people to take small everyday actions that will add up to a big difference." Paul Polman, Unilever's former CEO, claims that at Unilever "brands all have a social, economic and a product mission."

Patagonia, an ecological US apparel manufacturer, is committed to ESG and has lobbied with partners and competitors – the Sustainable Apparel Coalition – to develop a rigorous value chain index that provides consumers a uniform rating mechanism to judge the socio-ecological impact of those firms. General Electric's Ecomagination is another example that seems to be eco-efficiency driven by top management's desire and commitment to re-engineer most of GE's activities around "a commitment to imagine and build innovative solutions that solve today's environmental challenges and benefit customers and society at large," according to the company website.

Marks & Spencer's latest advertising campaign seems to be committed to corporate responsibility goals by trying to persuade consumers to change consumer attitude and behavior: choose something to recycle and put it in convenient "shwop drops" in its stores before purchasing a new item. They call it "shwopping" (a conflation of shopping and swapping). M&S's CEO is taking social responsibility very seriously since its practices have been under heavy scrutiny. Puma, a sports lifestyle provider,

Figure 1: An eco-narrative linking steering strategy and sustainability



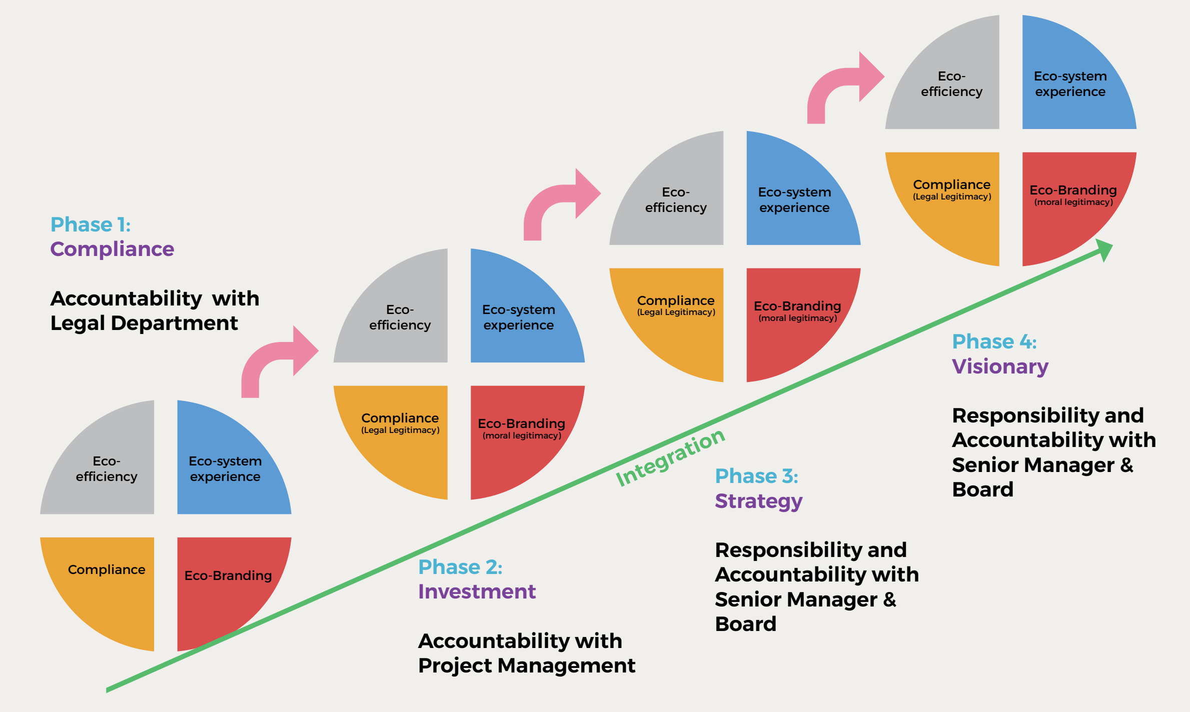
adjusted its methods and work systems, trying to live its ethics every day in every way by adhering to their "Puma.Safe" "shwop drops" "Social Accountability and Fundamental Environmental Standards" – internal guidelines that embrace eco-branding and seem to imply some form of eco-systemic vision.

Socio-ethical and ecological objectives or standards can be translated into "sustainability-oriented" tactics or strategy that emphasize identity and/or legitimacy (intangibles) as visualized in Figure 1.

Today, intangible value constitutes the biggest part of the valuation of shares on any major stock exchange, whereas three decades ago most value was derived from financial profitability. It is not too difficult to see that investors often incorporate the urgency of sustainability or CSV (or the lack thereof) into the stock price of listed companies. Hence why ESG has become a tool for measuring and reporting nonfinancial performance objectives. Ultimately, only the board can push and steer the organization to a more coherent and visionary ideal with a positive impact on the economy and society. Genuinely building CSV and sustainability objectives into the overall strategy of a firm takes time. Hence why we believe that boards should be given ample time to go through

Integration Process of Sustainability (CSR/CSV) into Strategy and the Board's Responsibility

Figure 1: Accountability/responsibility within organizations



different phases: (1) to comply with more stringent (external) sustainability rules and regulations; (2) invest in resources allowing to creatively innovate and achieve some eco-efficiency in the firm's operations; (3) incorporate those sustainability objectives into the overall strategy of the firm while ensuring the reputation of the brand and minimizing potential risks; and ultimately, (4) to envision an organization that oozes the philosophy of emphasizing interdependence and linkages between financial business targets and the broader societal objectives – as visualized in Figure 2.

Many researchers believe there is a slight positive relationship between corporate social responsibility and corporate financial performance.

Does the argument stop at "doing well by doing good"? What if it does not (immediately) pay to be good? Many researchers believe there is a slight positive relationship between corporate social responsibility and corporate financial performance. However, more recent research seems to be more optimistic about the positive correlation between financial performance and ESG criteria (as a proxy for CSR behavior), especially over a longer period. Whether CSR is always associated with superior financial performance remains inconclusive in the short term.

Only a small minority of firms have shown a negative relationship, indicating that most CSR activities may have a positive effect on long-term economic profit, although admittedly some unresolved inconsistencies in a direct causal correlation between corporate responsibility and economic return linger. Nonetheless, the returns of eco-friendly investments marginally decrease after the low fruit of eco-friendly product innovation has been harvested. Nonetheless, investment in strategic sustainability activities can yield significant returns of 6 percent to 8.5 percent profit premiums in health care and the consumer discretionary sector, for example, but less in other sectors.

Empirical data suggest that the positive stock market reaction by institutional investors to eco-friendly initiatives has decreased over time, while negative reactions to eco-harmful behavior has become more negative. The more that becoming green is institutionalized as the norm, the greater the negative effect of negative news on perceptions of a firm, because firms are punished for not following the norm. Similarly, the more that companies enact the institutional norm of going green, the less reactive shareholders are to the announcement of eco-friendly initiatives. The latter is called an internal perspective that states that environmental CSR is a resource with decreasing marginal returns. In addition, CSR seems to function as insurance, mitigating shareholders' negative reaction to the announcement of eco-harmful events. Moreover, the same research found that firms with stronger environmental performance experience a smaller stock price increase following the announcement of eco-friendly initiatives – as if the price has already incorporated "good responsible behavior" – and a smaller decrease following the announcement of eco-harmful behavior.

Some research cautions boards and managers to limit investments in "positive CSR." Firms that already have a high corporate debt level especially may not financially justify investments in social commitments. Stock markets and capital providers apparently value socially responsible actions only if firms have good financial health. And yes, we believe that organizations may not be able to immediately achieve a holistic stakeholder perspective; it takes time. It is a work in progress where firms go through phases to achieve ESG objectives, as visualized in Figure 2.

When looking to the reality of "doing good as long as business is doing well," where economic rational prevails over ethical or ecological objectives, we could question the importance of "building in" sustainability into strategy rather than "bolting it on." It all boils down to the perspective of a board as the ultimate decision maker whether one sees the dichotomy between business reality and social objectives, or whether one envisages the interdependency of business objectives and social reality.

Conclusion

The central question we put forward requires an answer to why a company exists and whom it serves, and to what broader purpose each organization is aspiring. Obviously, each individual company will need to fill in the details to answer to its shareholders and stakeholders what the company stands for, constituting its intangible assets that will be supported by its traditional tangible physical and pecuniary assets. A wise board will author a short but definitive document with clear and persuasive language setting forth the central idea of why the company exists and how strategy is translated to achieve the overall objectives.

Corporate leadership, especially the ultimate channel of legal and actual power that is given to board members, cannot ignore its role in steering the organization to a more purposeful future. However, it is also true that leadership will occasionally face trade-offs and gray areas. Just emphasizing the ecological part at "all costs" could jeopardize the socio-ethical or economic component of ESG.

A more systemic approach to create corporate sustainable value (or corporate shared value) will require a clear commitment to corporate purpose that entails some social and ecological goals. Any board will need to play a determining visionary role in directing the firm toward a more coherent and purposeful organization that is sensible to investors and other stakeholders. Such vision needs to be translated into a strategy that is a coherent, compact and a memorable expression of what unique value proposition will be offered to which kind of customers, and how it will be executed through tailored value chain activities with engaged human partners and capital that aims to create and capture value in the immediate future, as well as over the longer term. Obviously, such vision will implicitly or explicitly refer to intangible values and norms of sustainability as they are perceived by relevant stakeholders in terms of ecological and socio-ethical objectives, founded on proper governance standards.

Boards have evolved from rubber-stamping to monitoring and now to leading, which means that the boundaries between directing and managing have also been shifting. Complex decisions around the interdependency between financial targets and broader societal objectives should be taken to the board, especially if they have enormous significance because they touch on the organization's central idea or vision, business strategy or core values. Today, most boards of bigger organizations have subcommittees to monitor, address and resolve challenges. We quote three committees: an audit committee (emphasizing the transparency and disclosure of the financials); a compensation committee (determining the rewards and remuneration of the top executives); and a leadership and governance committee (dealing with a number of other issues). Within financial institutions, one often has a risk committee (focusing on the future). However, it would not be a bad idea to have an additional subcommittee such as a sustainability committee where the above can and will be discussed, and ultimately brought into and engrained into the central idea or vision of the organization.