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ESG - AN APPROACH IN BUSINESS AND ORGANIZATIONS

ESG - Uma abordagem em negócios e organizações

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ABSTRACT

The objective of this paper is to highlight the importance of ESG - Environment, Society and Governance in organizations and in the business environment, making it easier to understand. The text revisits basic concepts, bringing a little of its history, bringing it up to the present day. The method used in the preparation of this text brings the authors' discussion based on researched theoretical framework. Each ESG segment is discussed, making the language simpler and more enlightening. The text also presents the concepts of Integrated Reporting, GRI and the ABNT standard, PR 2030:2022 - Environmental, social and governance (ESG) which brings the concepts, guidelines and evaluation and direction model for organizations, guiding the necessary steps to incorporate them into the organization. The contribution of this study is due to the enlightening discussion of the topic.
Keywords: ESG, Organizations, Business

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ESG - An approach in business and organizations

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ABSTRACT

O objetivo deste artigo é destacar a importância do ESG – Environment, Society and Governance nas organizações e no ambiente empresarial, facilitando o seu entendimento. O texto revisita conceitos básicos, trazendo um pouco de sua história, trazendo-a até os dias atuais. O método utilizado na elaboração deste texto traz a discussão dos autores com base no referencial teórico pesquisado. Cada segmento ESG é discutido, tornando a linguagem mais simples e esclarecedora. O texto também apresenta os conceitos de Relato Integrado, GRI e a norma ABNT, PR 2030:2022 – Environmental, social and governance (ESG) que traz os conceitos, diretrizes e modelo de avaliação e direcionamento para as organizações, orientando os passos necessários para incorporá-los à organização. A contribuição deste estudo deve-se à discussão esclarecedora do tema.

Palavras-chave: ESG, Organizações, Negócio

INTRODUCTION

The acronym ESG (Environment, Society, and Governance) originates from the financial world, emerging from the need to manage business risks, dating back to the 1970s. During this time, a small group of investors began to focus on environmental policies and social practices of the companies they were investing in (GALBREATH, 2012).

Thus, the ESG concept has been in use for years, with an evolving focus on sustainability and governance over time. Indeed, these concepts and needs have been revisited since the culture of the triple bottom line, a concept introduced by John Elkington at the end of the 20th century, which addresses economic, social, and environmental issues associated with business performance. In reality, this need remains crucial for organizations striving for long-term business sustainability, as well as for society itself. However, many of these indicators were unfortunately only considered in relation to financial issues. It is worth noting the lack of maturity and knowledge among the managers were leading these organizations.

Returning to the context of ESG, we would say that the organizational management process has been evolving from these premises, thereby charting new, strengthened directions. This evolution is due to the establishment of a governance system that incorporates strategies, processes, and management integrated with ESG principles.

Financial stability is a fundamental condition for the existence of organizations; however, at the beginning of the 21st century, there are many other actions that organizations must consider to ensure their sustainability, including economic-financial sustainability. This highlights the need for greater awareness among society as a whole and among the companies themselves. Corporate social responsibility must be present not only in these companies' reports but also in actual actions of behavioral and procedural change that truly deserve the label of sustainability.

It is argued that the ESG concept was originally introduced significantly by two institutions. First, by the United Nations, which in 2006 established the Principles for Responsible Investment (PRI), which is still considered a foundational element of ESG ideology. Second, through the collaboration between the United Nations Environment Programme, (UNEP) and the Coalition for Environmentally Responsible Economies (CERES), which shaped the initial ideas behind the Global Reporting, such as the Global Reporting Initiative (GRI) created in 2001. The main goal of GRI was to establish a regular and standardized framework for environmental performance reporting. It is worth noting that the GRI principles cover six categories: environment, human rights, labor, decent work practices, society, and product responsibility and economics (GRI, 2022).

It should be noted that accounting reports have significantly contribute to organizations, particularly by presenting to the public and to society itself what organizations are actually reporting in their financial statements and results. This is where the importance of organizations working with more robust reports, such as the Integrated Report or the GRI, among other models, comes into play.

The Integrated Report plays a crucial role in guiding companies toward a transformative approach in presenting their financial statements. But it is not only this that matters; rather, it is a shift in corporate consciousness that needs to be established not just within companies, but, above all, in those who lead and manage these organizations. This shift must diligently reach all those involved within the companies.

According to Kassai and Carvalho (2013), after its establishment in 2010, the International Integrated Reporting Council (IIRC) became a global coalition of government regulators, investors, companies, standard-setting bodies, accounting representatives, auditors, universities, NGOs, and others. The authors remind us that this understanding was signed on 07/02/2013 by Hans Hoogervorst, the Chairman of the International Accounting Standards Board (IASB), and Paul Druckman, the Chairman of the IIRC.

The elements contained in the Integrated Report have the following innovative principles for the time, according to Mio (2016) and Nossa, Rodrigues, and Nossa (2017): strategic focus and future orientation; information connectivity; stakeholder relationships; materiality; conciseness; accountability and integrity; consistency and comparability; organizational vision and external environment; governance; business model; risks and opportunities; strategy and resource allocation; performance; perspective; and preparation and presentation basis.

According to Mio (2016), the idea of the Integrated Report is guided by the integration based on a process that starts with strategy and restructures the entire corporate disclosure system, according to an integrated thinking perspective of the organization.

Haller (2016) highlights that the main concept of the Integrated Report is the creation of value generated across various capitals, whether financial, manufacturing, intellectual, human, natural, social, or relational, and is evidenced to stakeholders, shareholders, and other involved parties.

For Kassai and Carvalho (2013), the Integrated Report is a concept built upon existing practices of Financial, Environmental, Social, and Governance Reporting. It enables companies to strategically manage their operations, brand, and reputation with shareholders and to be better prepared to manage any risks that might compromise the long-term sustainability of the business.

According to the International Integrated Reporting Council (IIRC, 2014), an Integrated Report is a concise document that explains how strategy, governance, performance, and perspectives of an organization, in the context of its external environment, lead to the creation of value in the short, medium, and long term.

As observed, ESG principles are closely linked to the company's economic performance, and according to Porter, Serafeim, and Kramer (2019), this movement has reinforced the interaction between companies, governments, and other stakeholders. On the other hand, it has been argued that ESG development is a combination of financial initiatives in pursuit of market power. Although a company adhering to ESG principles is largely influenced by different stakeholders and various guidelines set by policymakers, it is certain that a company that, for example, is listed in an index that reflects its ESG policy, will likely have a positive impact on sustainability management (ESCRIG-OLMEDO, et al., 2019).

It is worth noting that after the global financial crisis in 2008, the adoption of ESG principles by corporations accelerated, demonstrating investors' concerns regarding corporate accountability, ethical behavior, and the ability to manage and oversee risks (GALBREATH, 2012). This not only increased control over corporate accountability itself but also expanded the discussion on sustainability issues (ESCRIG-OLMEDO, et al., 2019).

Thus, ESG tools are currently widely used by management in consulting firms and investors who wish to better assess and understand a company's performance in its Social Responsibility policies, fundamentally evaluating the company's environmental, social, and corporate governance practices and integrating them with general performance practices (YOON; LEE; BYUN, 2018). Moreover, they are used as decision-making tools for managers and investors. Additionally, they help companies address the constant pressure from shareholders and other stakeholder groups to improve or enhance performance in the field of social responsibility (DORFLEITNER; HALBRITTER; NGUYEN, 2015).

The Global Compact LEAD, derived from the United Nations Global Compact, is structured around ten principles derived from the: Universal Declaration of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. It is based on the premise that if incorporated into strategies, policies, and procedures, and by establishing a culture of integrity, companies are not only fulfilling their basic responsibilities to people and the planet, but also setting the stage for long-term success (GLOBAL COMPACT LEAD, 2022). Therefore, it can be said that this pact, when adopted, significantly contributes to the establishment of a robust governance program for the organization, thereby providing greater trust in the organization.

1 LITERATURE REVIEW AND DISCUSSION

On the "E" in ESG

A company that develops its environmental (E) program based on ESG may aim to increase capital by convincing more shareholders to invest in its activities, as not only investors but also consumers and other stakeholders are now paying more attention to the sustainable configuration of the products and services offered. We reaffirm that this focus on ESG policy has a positive impact on financial results, but it's not just about money. The main goal of ESG is to assess whether the company genuinely prioritizes sustainability and environmental practices over profit generation (PIYUSH, 2021).

As mentioned earlier, raising the company’s awareness of environmental issues has a positive impact on shareholders and investments. ESG-focused practices provide all the essential tools and frameworks to help a company build its environmental program. It concentrates on environmental issues such as energy, waste, pollution, and climate change. Additionally, it is relatively easy for companies to provide environmental data, allowing the public to understand the quantitatively delivered data and, from that, identify their objective contributions in the qualitative dimension that they produce.

On the "S" in ESG

Within ESG practices is the company's social performance, including aspects such as labor relations and international labor standards, community relations, human rights, health and safety, gender equality and diversity, and product safety, all of which are considered in the company's strategy. Regarding these issues, international standards for relationships and labor can be measured quantitatively, for example, by inspecting whether salaries align with industry standards. Additionally, it is important to verify whether international labor standards are being followed and adhered to.

Organizational climate surveys and employee and supplier satisfaction should be regularly addressed to better understand the overall atmosphere within these groups. Expanding social reach can have financial benefits for the company, meaning that community relations reflect how a company either harms or benefits the community in which it operates.

However, when evaluating community relations in ESG practices, social performance policy is considered one of the most important pillars. Another significant factor in the evaluation is labor in terms of Health and Safety, which can be measured by monitoring and reporting workplace accidents, compensation claims, health and safety concerns, and policies around personal protective equipment; and eliminating unsafe conditions.

Finally, gender equity and diversity issues improve company governance, as gender equity and diversity attract and develop human capital, which, overall, enhances the company’s competitiveness.

On the "G" in ESG

The "G" in the acronym stands for corporate governance and indicates the rights and responsibilities of the company’s management (YOON, 2018). Its main function is to describe how a company strives to eliminate potential corruption or bribery and how it promotes the independence of the Board of Directors while protecting its shareholders (GALBREATH, 2012).

When used to maximize the effectiveness of ESG practices, "G" needs to be aligned with the company’s policies and strategy. It must address all essential issues in the areas mentioned above. Thus, it is a management tool that encompasses important aspects of companies in social, environmental, and economic topics. Therefore, it is a vital part of the company's decision-making processes.

Governance not only serves the company itself but is also considered an action tool for the company to communicate to the public, their decisions of general interest, whether internal or external. However, there is a very fine line between the proper use of responsible reporting practices and being perceived as having a false purpose, that is, more of a marketing ploy than an act of good practice (GERARD, 2009).

Governance programs are important management tools for companies of all types and sizes. They are capable of creating visibility into organizational activities and conduct and building accountability by establishing ethical behavior standards for industry competition (PIYUSH, 2021). The concept has consolidated its values and importance over the past decades, proving to be a valuable tool for companies to transparently communicate their sustainable actions in the environments in which they operate.

On ESG and Business

However, it is important to highlight that policies focused on ESG principles are still predominantly financial management tools, which cannot be ignored. It is argued that implementing ESG can have a positive impact in five different areas: top-line growth, cost reduction, regulatory and legal interventions, increased productivity, investment, and asset optimization. Top-line growth can be achieved by focusing on creating good sustainability and reliable practices, including good governance practices. Well-managed practices enhance customer relationships and improve relations with the community and other stakeholders (WITOLD; KOLLER; NUTTALL, 2019).

Cost reductions can be achieved through effective environmental awareness planning regarding energy, water, and waste management (WITOLD; KOLLER; NUTTALL, 2019). It is known that good energy management practices reduce overall energy use, especially if non-renewable energy sources are the primary source. Reductions in water consumption can be primarily achieved through the implementation of technical solutions and by intervening and changing individual behaviors. Waste mitigation should follow the waste reuse hierarchy, with the aim of avoiding any disposal that could be, in some way, avoided.

Highly motivated and satisfied employees can strengthen the entire company and increase productivity In fact, sustainability reports easily communicate to the public how the company treats its employees, manages its supply chains, responds to climate change, increases diversity, and engages with society, or, put another way, how it authentically adheres to ESG commitments.

BlackRock, the largest asset management company in the world, is clear in its mission regarding sustainability: "Companies with good corporate governance practices, including how they manage the environment and social issues in their operations, better mitigate long-term risks and provide better risk-adjusted returns" (BLACKROCK, 2022). It further states that it seeks to invest in companies consistently featured in sustainability indices, aiming to encourage them to adopt business practices aligned with long-term sustainable performance. These principles are reflected in the statements of its current CEO, Larry Fink.

The Business Roundtable, an association of leading U.S. corporations, presented a manifesto titled "Statement on the Purpose of a Corporation" on August 19, 2019, signed by 181 CEOs of major American companies. This manifesto reaffirms these companies' commitment to all their stakeholders and to social welfare. According to the statement, corporate responsibility should be more important than profit itself, establishing a new standard of corporate responsibility that replaced the association’s previous policy statement, which had been in effect for 22 years and defined the primary goal of a corporation as maximizing shareholder returns (BR, 2022).

The Dow Jones Sustainability Index (DJSI) is a global indicator of corporate sustainability that considers the three pillars of ESG in its evaluation. It is a global financial performance indicator listed on the New York Stock Exchange (NYSE). It includes leading corporations in sustainability (those that manage risks associated with economic, environmental, and social factors), recognized by the financial market as being most capable of generating long-term value for their shareholders (DJSI, 2022).

The B3 Corporate Sustainability Index (acronym in portuguese ISE B3) results from a theoretical portfolio of assets, companies with their shares traded on the stock exchange, developed according to methodology defined by B3 " "It represents an indicator of the average performance of the stock prices of companies selected for their recognized commitment to corporate sustainability, encouraging companies to adopt the best practices in sustainability and ESG as they contribute to the longevity of the business" It represents an indicator of the average performance in commitment to corporate (B3, 2022). The information used to derive each organization's index will be obtained through a questionnaire, defined according to B3’s methodology, structured into five dimensions: Human Capital, Social Capital, Corporate Governance and Senior Management, Environment, and Business Models and Innovation.

Founded in the United States in 2006, the Global B Corporation Movement aims to redefine success in the economy to include not only financial success but also societal and environmental well-being. The System B Brasil, operating in the country since 2012, is responsible for the engagement, dissemination, and local promotion of the B Movement in Latin America.

The B Corporations are a new type of business that balances purpose and profit, considering the impact of their decisions on their workers, customers, suppliers, community, and environment. These companies seek to be better FOR the world, not just the best IN the world, as stated on the digital platform (Sistema B Brasil, 2022). According to this platform: “B Corporations are companies that, in addition to producing, profiting, and driving the economy, offer social and environmental benefits—which is why the 'B' is awarded as a quality seal to these initiatives” (System B Brasil, 2022). Thus, they meet the principles of ESG.

The Global 100 Index is an annual ranking of the most sustainable companies in the world. The list is published by Corporate Knights, a media and research company based in Toronto, Canada. The Global 100 ranks publicly traded companies with more than $1 billion in annual gross revenue, evaluated on 24 key performance indicators, including % of sustainable revenue, % of sustainable investment, % of taxes paid, carbon productivity, and racial and gender diversity (GLOBAL 100, 2022).

The Exame Sustainability Guide, launched in 2000 as the Guia EXAME de Boa Cidadania Corporativa, listed the Brazilian companies that have made the most progress in applying global sustainable development goals. In 2022, this guide was renamed Best of ESG. To participate in the Best of ESG, a company must complete two questionnaires, one quantitative and one qualitative. The only mandatory requirement for participation in the guide in 2022 was that the company had achieved at least 150 million reais in revenue in 2021 (EXAME, 2022).

The Corporate Human Rights Benchmark (CHRB) aims to provide a year-by-year comparative overview of the world's largest companies by analyzing their policies, processes, and practices to systematize their human rights approach and how they respond to serious allegations. “Preventing adverse impacts on workers, communities, and consumers is one of the most pressing challenges nearly all companies face. We seek to leverage the competitive nature of the market as a powerful driver of change to address this challenge” (CHRB, 2022).

The SASB (Sustainability Accounting Standards Board) accountability model establishes specific standards for different sectors, identifying environmental, social, and governance issues that may represent material impacts on a company's financial performance. SASB standards identify the subset of environmental, social, and governance issues that are most relevant to financial performance in each of the 77 sectors (types of companies) for which they were developed. They are designed to help companies disclose financially relevant sustainability aspects (SASB, 2022).

The International Financial Reporting Standards (IFRS) consist of international accounting standards represented by a set of internationally published and reviewed accounting procedures by the International Accounting Standards Board (IASB). As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation has taken over the responsibility for SASB Standards. The ISSB is committed to developing SASB standards to advance the SASB framework and encourage users and investors to continue providing full support and utilizing SASB standards until the IFRS Sustainability Disclosure Standards replace them.

Each company is unique and, therefore, must make its own determinations regarding sustainability risks and opportunities, as well as the most relevant disclosure standards for its characteristics. Understand how the SASB standards are structured, including industry classifications, descriptions of topics and metrics specifications can help organizations identify, manage, monitor, and report their key sustainability challenges more efficiently (SASB, 2022).

The Brazilian Institute of Social and Economic Analysis (whose acronym in portuguese is IBASE), established in 1981, through its projects, provides a set of reports associated with social, governance, and environmental dimensions, which address relevant ESG issues in practice (IBASE, 2022). Therefore, understanding these aspects is valuable for assisting in the development of sustainability reporting models that companies can use, as well as understanding ISO 26000 – Social Responsibility Guidelines, which is a set of voluntary guidelines without the purpose of certification. Organizations should address all seven core themes contained in the guidelines: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. Each organization should analyze, together with its stakeholders, the relevance of these issues and subtopics to prioritize its actions (ABNT, 2010).

Founded on November 27, 1995, the IBGC – Instituto Brasileiro de Governança Corporativa, a civil society organization, is considered a national reference and one of the main global entities in corporate governance. Its goal is to generate and disseminate knowledge about best practices in corporate governance and to influence companies and other organizations operating in Brazil in their adoption, contributing to the sustainable performance of organizations. Its main publication is the Code of Best Corporate Governance Practices, launched in 1999 and currently in its fifth edition, published in 2015 (IBGC, 2022). The role of this institute, as well as its publications, in helping companies adopt ESG concepts, especially those related to governance, is undeniable."

Also as a tool to assist in structuring governance models, the ABNT NBR ISO 37000:2022 - Governance of Organizations - Guidelines standard, launched in September 2022, provides a set of guidelines on organizational governance.

It presents principles and key aspects of practices to guide governance bodies and governance groups on how to fulfill their responsibilities, so that the organizations they govern can achieve their purpose. It is intended for stakeholders involved with or impacted by the organization and its governance (ABNT, 2022).

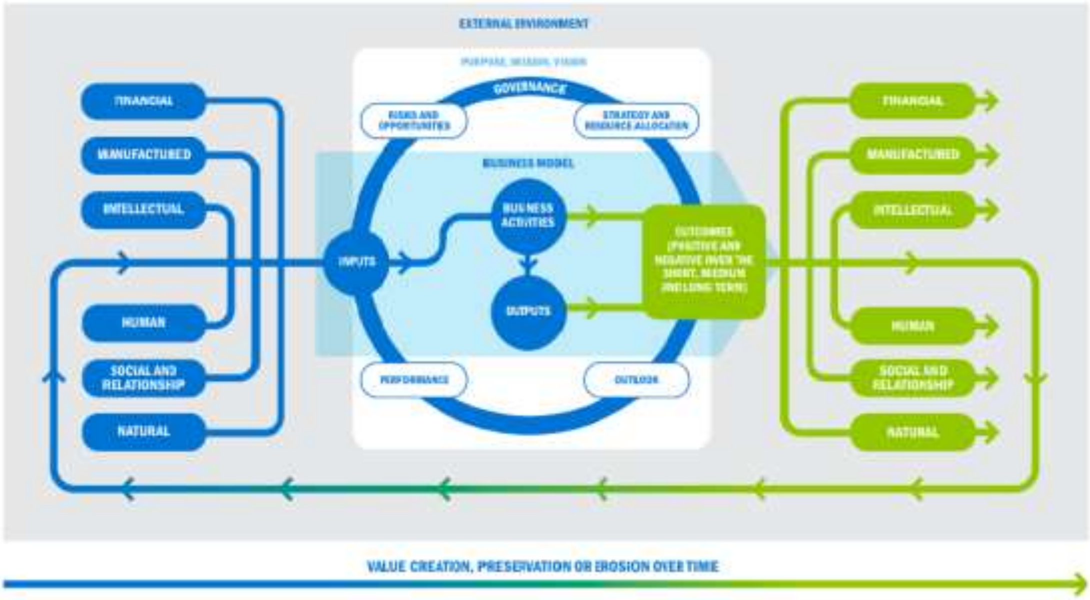
It aims to consider long-term sustainability and establishes 11 principles that decision-making boards need to observe, according to the organization they operate in: purpose, value model, strategy, oversight, accountability, stakeholder engagement, leadership, data and decisions, risk governance, social responsibility, and viability and performance over time.

Launched in December 2022, ABNT PR 2030:2022 Environmental, Social, and Governance (ESG) - Concepts, Guidelines, and Evaluation Model for Organizations, this Recommended Practice aligns key ESG concepts and principles, guiding the necessary steps to incorporate them into the organization, and proposes Environmental, Social, and Governance criteria as a starting point for organizations to identify potential material ESG issues relevant to their business (ABNT, 2023a). This document is structured around the 3 pillars of the acronym, addresses 14 themes, and presents 42 criteria, including 14 environmental, 15 social, and 13 governance. It proposes an evaluation of the organization's maturity regarding these themes, using a scale that includes: 1 – Basic, 2 – Not Integrated, 3 – Managerial, 4 – Strategic, and 5 – Transformational (ABNT, 2023b).

Integrated Reporting, GRI, and ESG as a Unified System

As observed, there is an integration between social, environmental, and governance aspects, where this entire scenario should become a unified whole in a concise manner. This means having not just an integrated view of the organization but a systemic view of the entirety and all its parts, aiming to leverage the best the organization can offer. This entails much more than merely viewing and analyzing isolated reports; it represents the true connection between the results organizations present and their relationship with ESG principles. Integrated Reporting, through a framework, outlines the process of value creation, its preservation, and deterioration over time.

Figure 1 - Value creation process

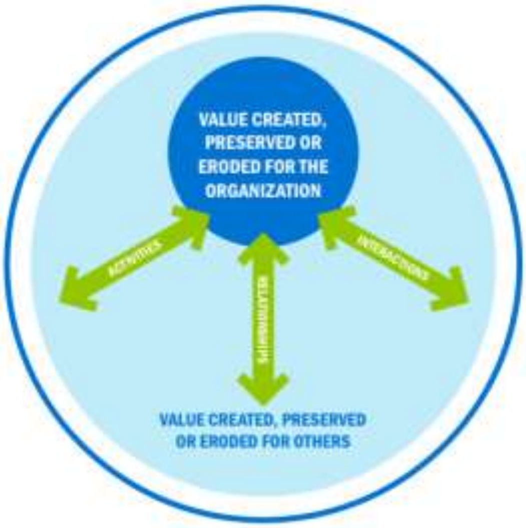


Source: IR (2021, p. 22)

The framework, according to Integrated Reporting, as shown in Figure 1, proposes guiding principles and content elements that direct the application of Integrated Reporting. The guiding principles support the preparation and presentation of the aforementioned Integrated Report, providing relevant elements. They are divided into: (i) strategic focus and future orientation; (ii) connectivity of information; (iii) stakeholder relationships; (iv) materiality; (v) conciseness; (vi) reliability and completeness; and (vii) consistency and comparability (IR, 2021). Regarding strategic focus, Integrated Reporting provides insights into the organization's strategy and how it relates to the organization's ability to create value, as well as its use and effects on the capitals (IR, 2021).

An integrated report aims to explain the resources and relationships used and affected by an organization, referred to as “capitals.” These capitals dictate how the organization interacts with the external environment to generate value. Capitals are categorized into financial, manufacturing, intellectual, human, and social contexts and perspectives. Thus, it is possible to gain an integrated view of what organizations are practically developing, actions that positively transform them, how they are sharing and adding knowledge to their assets, and how they can return actions to society that justify sustainability. This interaction can be observed in Figure 2.

Figure 2 - Value created in the organization



Source: IR (2021, p.16)

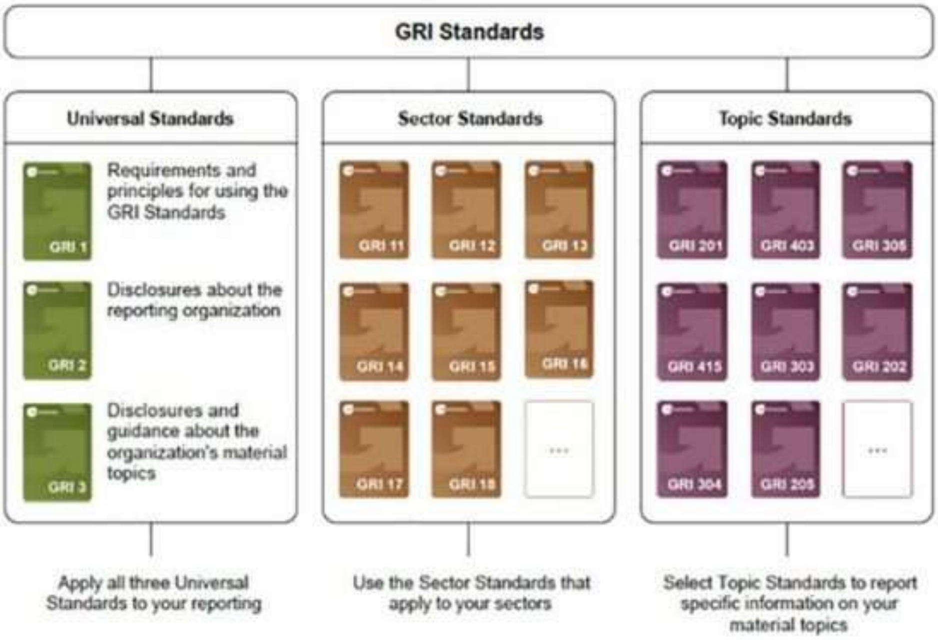
The GRI has been considered the most widely used sustainability reporting model in the corporate world. Beginning in 1998, its mission has been to develop and disseminate Guidelines for global, voluntary sustainability reporting for organizations wishing to disclose information about the economic, environmental, and social aspects of their activities, products, and services (GRI, 2022). Over time, the GRI reporting model and guidelines have evolved and contributed to improving guidance for companies developing sustainability reports (NOSSA, RODRIGUES, and NOSSA, 2017).

Thus, GRI has contributed to the Integrated Reporting approach by more assertively demonstrating what organizations are achieving in terms of more sustainable actions.

Hess (2008) notes that sustainability reports are important because they provoke a cultural shift towards sustainable development, driven both by external forces that necessitate change and by internal reflection within the organization.

The GRI standards are structured into universal, sectoral, and thematic standards, as seen in Figure 3.

Figura 3 -Normas GRI: Normas Universais, Setoriais e Temáticas



Source: GRI, 2022

The GRI Standards use central concepts that define the foundations of sustainability reporting, which are: impact, material topics, due diligence, and stakeholders, briefly described as follows:

1. Impact: Refers to the effect that an organization has or could have on the economy, the environment, or people, including impacts on human rights, as a result of the organization's activities or business relationships. These impacts can be real or potential, negative or positive, short-term or long-term, intentional or unintentional, and reversible or irreversible. These impacts indicate the organization’s contribution, either negative or positive, to sustainable development (GRI, 2022).
2. Material Topics: These are issues that represent the most significant impacts on the economy, the environment, and people, including impacts on human rights; therefore, they should be prioritized in reporting. Examples of material topics include combating corruption, occupational health and safety, water and wastewater. The GRI Standards group impacts into topics, such as "water and wastewater," to help organizations report cohesively on multiple impacts related to the same topic (GRI, 2022).
3. Due Diligence: Refers to the process by which an organization identifies, prevents, mitigates, and accounts for how it manages its actual and potential negative impacts on the economy, the environment, and people, including impacts on human rights. Actual negative impacts will require remediation if the organization identifies that it caused or contributed to them, while potential negative impacts should be addressed through prevention or mitigation (GRI, 2022).
4. Stakeholder: Refers to individuals or groups who have interests that are or could be affected by the organization's activities, including business partners, civil society organizations, consumers, clients, employees and other workers, governments, non-governmental organizations, local communities, shareholders and other investors, suppliers, trade unions, and vulnerable groups (GRI, 2022).

Understanding these GRI Standards concepts and how they are applied is essential both for those who collect and prepare information for reporting and for those who interpret the information reported using the GRI Standards.

CONCLUSION

Based on the arguments presented, it is clear that adopting high-quality sustainability reporting is crucial for companies across all sectors, areas of activity, and sizes to enhance their reputation with stakeholders, regardless of their power or influence. It is also evident that there is a need to develop new metrics to assess the extent of corporate sustainability disclosure based on the quality of their GRI reports. At the same time, other metrics should seek to establish standards for measuring the intensity of ESG in the projects developed by both private and public organizations.

It appears that the intensity of ESG practices systematically improves when associated with better sustainability reporting. In other words, engagement in and enhancement of corporate sustainability disclosure can yield benefits, provided that ESG ratings are reliable, with credibility being a key competitive factor.

In the process of adopting ESG practices, it is essential to understand the organization by identifying relevant business strategy topics, the impacts they cause or may cause, and to ensure the involvement of relevant stakeholders internal and external stakeholders in this process. From this understanding will come the identification of actions to be taken towards sustainability, in the areas discussed here, as well as the improvement of current processes and the identification of new business opportunities.

It is important to emphasize that the financial market, shareholders, and investors are attentive to the practices of organizations aligned with sustainable development issues and value creation for the market and society. Thus, ESG principles and the reports that may arise from them enable the proper assessment of business risks, a central issue when discussing the sustainability and longevity of organizations.

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