

Corporate Governance and ESG* Principles as Strategic Drivers of National Development in Brazil

Melrian Ferreira da Silva¹, Bruna Guesso Scarmagnan Pavelski², Aline Storer¹

¹School of Law, University of Marília (UNIMAR), Marília, Brazil

²School of Law, Universidad Estadual do Norte do Paraná (UENP), Jacarezinho, Brazil and Universidad Pública de Navarra (UPNA), Pamplona-Navarre, Spain

Email: melriansimoes@gmail.com, aline.storer.adv@gmail.com, bruna.guesso@unavarra.es, bruna.guesso@gmail.com

How to cite this paper: da Silva, M. F., Pavelski, B. G. S., & Storer, A. (2025). Corporate Governance and ESG Principles as Strategic Drivers of National Development in Brazil. *Beijing Law Review*, 16, 1827-1839. <https://doi.org/10.4236/blr.2025.163092>

Received: August 7, 2025

Accepted: September 8, 2025

Published: September 11, 2025

Copyright © 2025 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution-NonCommercial International License (CC BY-NC 4.0). <http://creativecommons.org/licenses/by-nc/4.0/>



Open Access

Abstract

This article analyzes the importance of ESG (environmental, social and governance) in the contemporary corporate landscape and the organisational changes associated with its integration. Using a hypothetical-deductive approach and a review of the literature, the paper is structured in three parts. First, it examines John Elkington's ideas, their role in the evolution from the triple bottom line to ESG, and their effects on corporate practice. Second, it clarifies the concept of sustainable development, its relationship to ESG, and the organisations that operate under this agenda. Third, it assesses corporate governance and compliance as vehicles for implementing sustainable development. The study is motivated by accelerating environmental change and social concerns: companies have committed to sustainable development and ESG, but these commitments must be translated into practice through sound governance and compliance. The analysis is anchored in Brazil's legal and market features. It identifies concrete enablers, such as the Anti-Corruption Law (Law 12.846/2013), the General Data Protection Law (Law 13.709/2018), B3's listing segments and the IBGC Code, and persistent frictions, including ownership concentration, the weight of state-controlled firms, supply-chain informality and uneven enforcement. Brazil serves as the reference point for the proposals advanced in the paper.

Keywords

ESG, Sustainable Development, Corporate Governance, Compliance

*UN Global Compact (2004). Who Cares Wins: Connecting Financial Markets to a Changing World. Ibid.

1. Introduction

When considering business activity, it must be acknowledged that many of the concepts and ideas around the subject have been shaped by pivotal historical episodes such as the Second World War, globalisation, technological advances and the rise of real-time access to information. As these forces have reconfigured society, a movement oriented to humanity's future has gained traction in international debates, foregrounding environmental stewardship, sustainable development and duties to future generations.

Methodological note. The paper adopts a hypothetical-deductive strategy. It begins with three premises: 1) agency problems and information asymmetries shape corporate behaviour; 2) governance mechanisms and ESG disclosure can mitigate these frictions; and 3) the strength of legal enforcement and market institutions conditions their effectiveness. From these premises, the analysis derives expectations about board oversight, disclosure and assurance, and compliance systems, along with the expected firm-level outcomes, lower cost of capital, reduced misconduct risk and productivity gains. Brazil's framework (Laws 12.846/2013 and 13.709/2018, B3's listing segments and the IBGC Code) is then used as a reference case to examine the feasibility of these expectations and the adjustments required. Evidence is drawn from academic literature, statutes, regulatory guidance and market reports, with quantitative indicators cited descriptively where relevant. The resulting deductions are translated into actionable propositions for companies and policy-makers.

There is no turning back: the global discourse has become increasingly forceful on environmental protection, alignment with the UN 2030 Agenda, the reduction of inequalities, the construction of a fairer society, economic strengthening aligned with sustainability, and collaboration among states. Business, an integral part of the productive and economic system, cannot remain on the sidelines of these aspirations.

With these initial considerations in place, the study turns to the importance of corporate governance and ESG for development, as well as the need to recalibrate business decision-making, particularly in cross-border commercial relations among national and transnational entities and firms located abroad. Premises once confined to finance and internal management must now incorporate requirements related to reputation and corporate image, the implementation of ESG pillars and valuation in capital markets.

At the same time, companies seek to meet these demands without losing sight of production and profitability. The task is complex and regulation-intensive, yet embedding ESG within attentive governance can advance responsible and durable development under current international parameters.

Against this reality, the article examines the relationship between governance, understood as the "G" in ESG, and sustainable development, both within the firm and at the regional level. The working hypothesis is that engaged and accountable governance not only supports the environmental and social dimensions but also

provides a visible and robust foundation for business development.

The study is justified by the urgent need for companies to internalise ESG within their governance structures and, together with compliance, contribute to national sustainable development.

In Brazil, beyond the legal scaffolding, ESG adoption is shaped by ownership concentration, the influence of state-controlled firms, supply-chain informality, uneven enforcement and the disclosure costs faced by smaller issuers; these traits frame the analysis and the proposals that follow.

2. ESG: More Than a Proposal, a Decision

The acronym ESG, previously unknown, has become mandatory when talking about companies, entrepreneurship and commitments to sustainable development. More than just an idea, ESG encompasses a business model (Teixeira, Sobrinho, & Reato, 2024), with the assumption of obligations that must be present in business activities and demonstrated, not only in terms of the choices made by a company, but also in terms of the effectiveness of each of these choices, whether related to the environmental, social or governance sphere. After all, activities carried out by companies are usually closely related to these issues.

But what is ESG and how did it come about? The acronym stands for Environmental, Social and Governance, indicating the relevance and correlation between these three sectors in corporations and how their conduct is capable of influencing not only the financial sector but also other areas that, at first glance, might seem totally unrelated to this activity, such as the ecosystem of a particular region or territory where a company is located that, in blatant disregard for the environment, pollutes rivers and affects the lives of the riverside population—in clear violation of the law and ESG.

Despite the authors' significant indication of its emergence, the vast majority demonstrate that the corporate sector's activities maintain points of contact with profit, planet and people, as Teixeira, Sobrinho, and Reato mention in Sustainability and ESG: sustainable consumption in the neoliberal scenario; that is, profit-oriented activities impact the planet and society. This interaction, in turn, generates effects or consequences beyond the corporate environment and, in this vein, such concerns about these effects give rise to ESG. According to Souza, Carlini and Rezende (2024), "[...] ESG emerged in the 1970s as a universal indicator capable of measuring an organisation's ethical, environmental, social and governance commitment, as well as adding value and reliability to the business by providing greater risk control in various aspects." Further, in this same line of reasoning, the same authors conclude that "Currently, ESG is the most relevant indicator in investor decision-making and consumer choice of products and services, as, in addition to being a profitable and enduring model, it encompasses fundamental non-economic values for society that are reflected in business and the economy, such as climate change, social inequalities and corruption" (Souza, Carlini, & Rezende, 2024).

It is important to highlight, however, the undeniable influence of John Elkings-

ton's¹ ideas on sustainability from a business perspective and on ESG. Elkington was responsible for the triple bottom line concept, discussing the importance of business performance focused on sustainability. The author's thinking has gained admirers and, more than that, calls on corporations to adopt a new management and results format to ensure that they are in line with the preservation of priceless assets, such as life itself; after all, talking about sustainability means touching on the complex reality of living.

In an interview with RI magazine in August 2023, when asked about the mandatory nature of ESG information in 29 countries and the work carried out by the Capital Markets Forum (CMF) and the Securities Law Committee (SLC), John Elkington² replied that “Encouraging in many ways. ESG data represents a minimum entry level on the sustainability agenda, a necessary condition for progress. But a fundamental question is: who will do what with this data? Who will transform it into valuable and effective market-intelligence? Elements of this are already clearly happening” (Hess, Brandão, & Nogueira, 2023).

It is clear that corporations, based on Elkington's ideas, have received an invitation: to change, adapt and become sustainable. From then on, challenges become goals to be achieved, obstacles to be overcome, setbacks that require new decision-making aimed at meeting the demands of a different way of doing business, where data and results are now subject to evaluation not only by shareholders, but also by other players in the corporate arena, such as stakeholders (Sousa, Ferreira, & Mario, 2022)³, the financial market and society itself.

An interesting point is made by Teixeira, Sobrinho and Reato (2024), “[...] Elkington (1997) emphasises the need for extreme changes for a company to move towards sustainability, especially in its performance in relation to the triple bottom line. He points out that some of the most interesting challenges are not found within, but between the areas covered by economic, social and environmental results.”

And further, following this line of ideas, the same authors emphasize that, “According to Elkington (1997), for a company to achieve sustainability, there must be a paradigm shift. Thus, one of the steps towards a company's sustainability is to apply the Triple Bottom Line. In this case, the change occurs from the old paradigm, in which only the financial pillar predominated, to the new paradigm supported by three pillars: profit (economic dimension) + environmental quality (environmental dimension) + social justice (social dimension)” (Teixeira, Sobrinho, & Reato, 2024).

Once the guidelines have been established, through which companies are expected to act, it is necessary to understand what is meant by sustainability, its concept, scope and coverage within the 2030 agenda, as corporate governance must

¹Hess, Brandão & Nogueira (2023). Revista Investidores (RI) n. 273.

²Hess, Brandão & Nogueira (2023). Revista Investidores (RI) n. 273.

³The word stakeholders appeared in an internal memorandum from the Stanford Research Institute (SRI) in 1963, referring to any person (i.e., a third party) who is affected by or affects the actions and policies of a company, whose relationship of dependence between them, in terms of ethics and business, is coordinated by the interests of these stakeholders (Freeman, 2010). For Donaldson and Preston (1995), this theory considers that all participants with legitimate interests in the company do so with the intention of obtaining benefits and that, therefore, it would not be appropriate in this case to prioritise some interests over others.

remain focused on the sustainable development goals present in the agenda in order to highlight what some call corporate sustainability. As [Silva \(2023\)](#) rightly points out, “[...] Organisations must understand that corporate sustainability and social responsibility also involve analysing the challenges and concerns of societies in local and global scenarios that need to be considered when formulating management strategies and practices that can have a positive impact on society”.

In summary, corporate governance emerges as a differentiator for companies concerned with ESG implementation and the certifications derived from it and, at the same time, as a driver to highlight their image, brand and corporate engagement. On the other hand, share value and credibility emerge as results and/or inseparable factors when it comes to governance and ESG ([Teixeira, Sobrinho, & Reato, 2024: p. 5](#))⁴ and corporate sustainability.

An early caveat concerns greenwashing and ESG-washing: when sustainability claims are decoupled from governance, controls and budgeted actions, firms face legal and reputational risks. This paper therefore treats credible governance, internal control over sustainability reporting and, where material, independent assurance as prerequisites for ESG to create real value.

3. Sustainable Development: A Commitment

Understanding what sustainable development is or how it is conceptualised brings us back to [Boff's \(2012\)](#) words when referring to a historic document called the [Earth Charter Commission \(2000\)](#) and alerting us by repeating an excerpt from it: “[...] As never before in history, our common destiny calls us to a new beginning. This requires a change in our minds and hearts. It also requires a new sense of global interdependence and universal responsibility. We must develop and apply with imagination a vision of a new sustainable way of life at the local, national, regional and global levels”.

Concern for life, the environment, sustainable practices, balanced development ([Sen, 2010: p 5](#))⁵ and human dignity has been evident for several decades. What at first might have seemed merely rhetoric has been the subject of studies, research, debates and reports, including the Brundtland Report, where, according to [Boff \(2012\)](#), the expression “sustainable development” first appeared, defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. This definition has become classic and has been adopted in almost all literature on the subject.

It seems to us that sustainable development encompasses public and private actions, as well as government policies dedicated to creating means and mechanisms for the conservation of a dignified life and an adequate environment—preserved and maintained as an essential element for the development of future gen-

⁴The expression appeared in 2004, at the instigation of the then Secretary-General of the United Nations (UN), Kofi Annan, to five executive directors of important financial institutions regarding how to incorporate these values into the capital market. ESG basically boils down to three key themes: transparency, risk identification and responsibility. In practice, each theme has its own challenges. Thus, “ESG is not an evolution of corporate sustainability, but rather corporate sustainability itself”.

⁵Development requires the removal of the main sources of deprivation of freedom: poverty and tyranny, lack of economic opportunities and systematic social deprivation, neglect of public services and intolerance or excessive interference by repressive states, [...].

erations. This maintenance of a dignified life, beyond the individual sphere of decision-making, requires the involvement of other actors—the state, public and private legal entities, and civil society, so that together they can achieve a balance in their relationships and, as the Earth Charter states, a sustainable way of life (Barbieri, 2020: p. 6)⁶.

In this line of ideas, Oliveira and Oliveira (2019) remember that “[...] Promoting development, therefore, does not only involve taking economic measures. Growth that provides the human right to development must improve human development indices, which is why the United Nations created the Human Development Index (HDI)”. Human Development Index, “which compares indicators of countries in terms of wealth, literacy, education, life expectancy, birth rates and others, with the aim of assessing the well-being of the population, especially children [...]”. The equation requires commitment from all parties involved in implementing the recommendations of the United Nations (UN), as well as the international treaties to which States are signatories. Concern and assumption of responsibilities are not enough without the effective fulfilment of the duties assumed towards the international community and, in particular, towards nationals.

As Ignay Sachs rightly emphasises, “[...] The imperative ethic of synchronous solidarity with the current generation has been joined by diachronic solidarity with future generations and, for some, the ethical postulate of responsibility for the future of all living species on Earth” (SACHS, 2002).

Such considerations lead us to reflect on the participation of corporations in the construction of this sustainable development and the close relationship between the two. Sachs, aware of the importance of this relationship, offers an interesting lesson when he comments that “[...] Kuttner’s book is valuable because it shows that not everything is for sale, while seeking a balance between the market, the state and civil society, considering the institutions outside the common market necessary to monitor and correct excesses and deficiencies” (SACHS, 2002).

The balance between the market and sustainable development encompasses the way in which corporations should position themselves when it comes to ESG and sustainability. From this globalised and dynamic perspective, there has been a shift from management focused exclusively on profit and competitiveness at any price to management focused on minimising losses, resource management, including natural and environmental resources, social and impact management, and risk management. In this area, corporate visibility counts and corporate governance is the market benchmark for corporations, their profile and evaluation in the financial market⁷.

⁶The human person is the central subject of development and must be both an active participant in development processes and their beneficiary. It is a condemnation of the idea of development conceived in offices, behind closed doors, by government officials. They have the right and duty to formulate development policies, but with the active, free and meaningful participation of the population in both the formulation and distribution of benefits.

⁷The reframing of business brought about by ESG is reflected in new paradigms of corporate relationships with stakeholders. In addition to the scarcity of resources due to its non-adoption, the failure to mitigate socio-environmental risks can lead to irreparable financial losses, as well as non-compliance with important market requirements for sustainable products and services. Marchesin & Pereira (2022). Greenwashing and ESG activism: Two sides of the same coin. In: BRAVO, Álvaro Sánchez; FRANÇA, Lucyléa Gonçalves; SION, Alexandre Oheb. Essays on ESG. Rio de Janeiro: Synergia, 2022, page 6.

4. Corporate Governance

Faced with the challenges of this new moment and market turmoil, corporations have adapted to ESG-related demands and to compliance with sustainable development. As stated above, it is not only a matter of disclosure but of demonstrating that corporate actions conform to the parameters currently in force.

Early governance failures often surface as misleading sustainability claims. Boards should treat this as a core governance risk: map material ESG topics; ensure that disclosures reflect actual policies, controls and budgets; require internal control over sustainability reporting; seek independent assurance where claims are material; align executive pay with audited ESG targets; and enforce whistleblowing and supply-chain due diligence. These measures reduce legal, reputational and financing risks and anchor ESG in verifiable practice rather than marketing.

Daft (2008: p. 7) observes that organisations span a wide spectrum, from large multinationals to small family firms; some produce goods (such as automobiles and computers) while others provide services (such as legal, banking, or health care, and they are commonly distinguished as for-profit enterprises or non-profit organisations. Against this varied landscape, the shareholder-primacy view concentrates on maximising long-term shareholder value within legal and contractual limits, whereas the stakeholder view recognises the legitimate interests of workers, customers, suppliers, communities, and the environment.⁸

The shareholder-primacy view focuses on maximising long-term shareholder value within the limits of law and contracts. The stakeholder view recognises the legitimate interests of workers, customers, suppliers, communities and the environment. Good governance reconciles the two: boards map stakeholder (Vieira & Barreto, 2019: p. 7)⁹ matters to long-term value creation, set clear trade-off rules, record and disclose the rationale for decisions, and oversee controls and targets.

In Brazil, ownership concentration and the presence of state-controlled firms heighten conflicts between controlling and minority shareholders; independent boards, robust related-party-transaction policies, audit and risk committees, and transparent disclosure help align shareholder interests while addressing material ESG topics.

The business sector drives the financial market, whether through the injection of resources, products and services, or through its actions and investors. From these relationships arises corporate governance, an area of activity for the management of the corporation, both internally and externally, in terms of expected or unexpected results, as there is a possibility that some management actions may

⁸Organisations must learn to cross boundaries of time, culture and geography in order to survive. Both large and small companies are looking for the right structures and processes to help them reap the benefits of global interdependence and minimise the disadvantages. DAFT, Richard I. Organisations: theory and projects. Translated by Cláudia Mello Belhassof, Harue Ohara Avritcher. See Ilan Avrichir. 2nd Ed. São Paulo: Cengage Learnin. 2008, page 7.

⁹Stakeholders influence corporate performance, just as their actions influence the behaviour of these actors. Social actors, operating in national and international networks, exert pressure on corporations to adopt socially responsible standards, monitoring and encouraging the voluntary adoption of self-regulatory principles, codes and standards (such as Empresa Pró-Ética, the National Pact for the Eradication of Slave Labour, the Business Commitment to Recycling (Cempre) or the Global Environmental Management Initiative, Gemi).

not achieve the initially projected success.

Building on the earlier contrast between shareholder-primacy and stakeholder perspectives, corporate governance within the ESG agenda must function effectively to confer credibility and support brand equity and market value. For [Gomes & Limeira \(2022\)](#) governance is understood as the system by which organisations, business, civil, or public, are directed and controlled to generate value for owners and other stakeholders while preserving sustainability ([IBGC, 2018](#)).

It covers the protection of owners' and stakeholders' rights, the allocation of power and the relationships among governing bodies, and the regulatory arrangements that shape a firm's internal and external relations ([Andrade & Rosseti, 2007](#)). At its core are the processes of direction and control: distributing rights and responsibilities among members, setting rules and procedures for decision-making, and defining both the means to pursue objectives and the mechanisms for performance oversight ([OECD, 2015](#); [Cadbury Committee, 1992](#); [Shleifer & Vishny, 1997](#)).

Because decision-making is integral to governance, corporate control and strategic direction should incorporate environmental and social aims across internal and external activities. This responsibility-oriented stance links the governance framework to the discussion that follows: as [Daft \(2008: p. 56\)](#) emphasizes, organisations pursue multiple types of goals, each playing a distinct role in how governance is designed and practiced.

Effective corporate governance, aligned with shareholder interests; reliable accounting and financial reporting; D&I; material environmental and social initiatives; robust risk management; and clear, decision-useful disclosures, builds market credibility, attracts investment and strengthens stakeholder trust. Noteworthy in this context is corporate social responsibility (CSR).

[Vieira & Barreto \(2019\)](#), in their work *Governance, risk management and integrity*, teach that, "[...] Corporate Social Responsibility (CSR) generally encompasses these networked relationships that influence corporate decisions and initiatives, combining the promotion of social well-being with the economic benefits of a good social reputation in the networks in which the organisation operates."

After this placement, the authors also conclude that, "In the medium and long term, corporations benefit from collaborative, trust-based relationships established with their suppliers, customers, creditors, government officials, etc. Reputation is undoubtedly one of a corporation's greatest assets. For this reason, measures are established to: 1) invest in the local community; 2) impose standards and good practices of conduct on partners; 3) promote philanthropy as a marketing strategy; and 4) adopt a culture of integrity." ([Vieira & Barreto, 2019](#))

CSR refers to voluntary initiatives, philanthropy, community projects and ethical commitments, that express corporate values and help build reputation. ESG, by contrast, is an investor- and regulator-facing framework that integrates environmental, social and governance factors into strategy, risk management, capital allocation and disclosure.

It is evidence-based and metrics-driven, prioritising material issues, targets, controls and assurance. CSR can complement ESG (e.g., community investment under the “S”), but it is not a substitute for embedding material ESG factors into governance and reporting. Good governance aligns them: boards map CSR initiatives to material ESG topics, set objectives and KPIs, assign accountability and disclose outcomes.

In Brazil, the practical test is whether CSR initiatives are mapped to sector-material ESG topics, have board oversight and targets, and are transparently disclosed under the company’s governance and compliance systems.

It could be concluded that many of the decisions made in business that achieve their objectives highlight the existence of good corporate governance, and the reverse is also plausible. Transparency in management actions, beyond the simple provision of information, gives governance a profile commitment to integrity and ethics and distances it from mistrust and corruption.

According to [Lazzarini \(2010\)](#), corporate governance arises from the need to reconcile divergent interests between the public and private sectors, influencing both internal organizational relations and international economic interactions. With the expansion of capitalism and the formation of transnational corporate networks, the establishment of regimes capable of curbing fraudulent and corrupt practices becomes unavoidable. From this context, different forms of governance emerge (global, local, public, and private) all directed toward restraining illicit conduct by economic agents and state institutions.

This observation serves to demarcate another field in which corporate governance must act to prevent fraud and corruption, both within the scope of its internal activities and in the relationships established outside its walls, but which converge in some way with its performance, purpose or development of activities.

With a view to ensuring the proper adaptation and adjustment of governance acts, compliance is a tool that strengthens management acts. According, compliance has, among its objectives, to organise documentation and procedures, managing risks appropriately and promoting transparency, with a broad scope and not limited to compliance ([Silveira & Jorge, 2019: p. 9](#))¹⁰ with formal or informal rules.

Regarding the impacts of compliance, [Silveira and Jorge \(2019\)](#) recall that: It is linked to the concept of “corporate governance”, i.e., business organisation systems, one of whose objectives is to reduce the company’s objective liability, used for risk containment, with the company’s commitment to comply with the legislation in force, based on compliance and internal procedures aimed at greater transparency in its actions and decisions.

In Brazil, compliance is underpinned by robust legislation, including Law No. 12,846/2013 (Anti-Corruption Law), Law No. 8429/1992 (Administrative Improbity Law, as amended by Law No. 14,230/2021), Law No. 9613/1998 (Money Laun-

¹⁰This has led to the need to implement methods that enable companies to act in an increasingly transparent and ethical manner in business, as well as to reduce existing cases of corruption, thereby positively impacting society in terms of sustainability. This has led to the emergence of compliance as a way of ensuring mutual cooperation in the business environment, defining how employees should act, in the same way that the company will act in the market in which it operates. This model is applicable to all types of organisations.

dering Law, as amended by Law No. 12,683/2012), and Law No. 12,529/2011 (Antitrust Law). In a globalised market, transparency and integrity are non-negotiable expectations for investors, regulators and business partners.

Regarding the aforementioned law, [Vieira & Barreto \(2019\)](#) clarify, “Law No. 12,846/2013 establishes the objective administrative and civil liability of legal entities for acts against the public administration, domestic or foreign (Art. 1). In the same direction, Art. 7(VII) provides for the implementation of internal mechanisms and procedures for integrity, auditing, whistleblowing and the effective application of codes of ethics and conduct within legal entities”.

Compliance is an ally of corporate governance and, at the same time, a check and balance aimed at maintaining the transparency and integrity of the organisation. According to [Vieira and Barreto \(2019\)](#), “[...] The concept of integrity expresses the condition of public or corporate agencies that act in accordance with the principles and standards that guide their management. Promoting a culture of public integrity is an essential requirement for increasing society’s trust in the State and its institutions”.

The corporate profile should not neglect the purpose of the corporation’s activity, but must be accountable, whether through administrative channels, the financial market, consumers, public opinion, or even through the courts. Otherwise, it runs a serious risk of finding itself involved in greenwashing, bluewashing or ESG-washing ([Souza, Carlini, & Rezende, 2024: p. 10](#))¹¹, which could cause immeasurable damage.

There is a clear warning, both legislative ([Gomes & Limeira, 2022: p. 10](#))¹² and from the financial sector, that corporations must be as transparent and ethical as possible in their activities, at the risk of losing more than just financially if they fail to do so.

5. Conclusion

Awareness of the issues surrounding development today has taken centre stage in discussions and planning, with a view to minimising and addressing the challenges that surround it. It is not just a question of environmental issues or efforts to promote inclusion, but of balancing the difficult relationship between the demands of the global financial market and the guarantee of future living conditions.

In this scenario, unimaginable centuries ago, made a reality by industrialisation,

¹¹Faced with the new market reality, some companies have begun to publicly disclose their sustainability and ethical goals and declare themselves compliant with the ESG model, aiming to attract investment and increase brand value and profits without, however, actually adhering to social and environmental responsibility, nor having a plan to achieve their supposed goals. This simulated social and environmental commitment, without any criteria or proof by companies that are merely making a publicity appeal, without genuinely caring about or being involved in social and environmental issues, has become known globally as ESG washing. [...] ESG is the most relevant indicator used by investors and, when investments are made based on manipulated reports, the public offering may be suspended and the material damage caused to investors may be compensated, if the damage, the causal link and the fault of the washing organisation are proven, considering that in this case it is a case of subjective civil liability. In addition to material damage to investors, ESG washing causes economic destabilisation due to unfair competition against ESG-compliant organisations that have incurred costs to achieve the standard, as well as discouraging other companies from incorporating a culture of ethics.

¹²The law expressly provided for the existence of internal integrity, audit and whistleblowing mechanisms and procedures, and the effective application of codes of ethics and conduct within the legal entity would be considered in the application of sanctions. As the law in question did not specify—in a sufficiently clear and objective manner—what these mechanisms would be, the matter was dealt with in detail in Decree No. 8,420/2015.

indiscriminate use of natural resources and other ills, it cannot be ignored that advances have also brought benefits. The question that began to be asked was: at what price? Followed by another: what can be done to ensure that future generations have human dignity—life?

The ideas of John Elkington¹³ and the United Nations' Agenda 2030 have become a single voice: the participation of corporations in the market and even in their own territory must be guided by the pillars of ESG, so that they can contribute to maintaining environmental and social balance through corporate governance. In other words, companies must actively participate in development, but now in a sustainable way.

The more committed they are to implementing these pillars, the more committed they are to transparency and ethics, the greater their market value and credibility with shareholders and stakeholders (Sousa, Ferreira, & Mario, 2022). The result is profitability, increased share values, and positive visibility. In this sense, corporate governance gains relevance and prominence, as it takes on the overall management of the enterprise, risk management, and the effective implementation of ESG commitments.

It is a fact that some organisations prefer to “dress up” their reports rather than ethically reporting the reality of their management. Given the enormous influence of these documents, especially on investors, the importance of compliance combined with corporate governance based on the principles of sustainability, transparency, accountability, equity and corporate responsibility is clear.

Sustainable development, as described by the authors cited in this paper, requires intentionality and action. More than international instruments and laws, the proper assumption of corporate responsibility in a new (sustainable) business model is proof that it is possible to balance the scales with consistency and financial return. This is the big question. It is both a major commitment and a major challenge. The tools for sustainable development are available.

Brazil has legislation aimed at combating fraudulent practices and corruption, demonstrating that, in legislative terms, it is concerned with the effectiveness of good corporate practices. This shows that legislators are concerned with national development and that they are attentive to sustainability. Companies are aware that ESG is more than just an acronym; it is an ethical and responsible stance.

The conditions for sustainable development exist. They must be made effective and, more than that, made potentially consequential when neglected, in order to ensure that ESG is also the spokesperson for corporations that take on the role not of supporting actors, but of main actors, as the Earth Charter aptly states when it says “[...] However, we need to find ways to harmonise diversity with unity, the exercise of freedom with the common good, short-term goals with long-term goals. With a view to national development, corporate governance and ESG principles must be strengthened to ensure sustainable growth”.

Therefore, in Brazil the practical implications are as follows: corporate leaders

¹³Hess, Brandão & Nogueira (2023). *Revista Investidores* (RI) n. 273.

should: 1) assign board-level oversight of material ESG topics; 2) integrate ESG into risk management and internal control, including controls over sustainability reporting; 3) link part of executive pay to audited ESG targets; 4) require supplier due diligence and whistleblowing channels; and 5) seek independent assurance for material claims.

For policymakers and market institutions: 1) strengthen enforcement capacity for anti-corruption and disclosure rules; 2) incentivise independent assurance for sustainability information; 3) promote guidance to map sector-material topics; and 4) support SMEs with proportional disclosure tools. These measures align incentives, reduce information asymmetries and lower the cost of capital, turning ESG into a lever for Brazil's development.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

References

- Andrade, A., & Rosseti, J. P. (2007). *Governança corporativa: Fundamentos, desenvolvimento e tendências*. Atlas.
<https://www.fdc.org.br/conhecimento/publicacoes/livro-16640>
- Barbieri, J. C. (2020). *Sustainable Development: From Its Origins to the 2030 Agenda*. Digital Version, Editora Vozes.
- Boff, L. (2012). *Sustainability: What It Is, What It Is Not*. Vozes.
- Committee on the Financial Aspects of Corporate Governance (1992). *Report of the Committee on the Financial Aspects of Corporate Governance (Cadbury Report)*. Gee and Co. Ltd.
- Daft, R. L. (2008). *Organisations: Theory and Projects* (Translated by Cláudia Mello Belhassof, Harue Ohara Avritcher; Reviewed by Ilan Avrichir). Cengage Learning.
- Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, 20, 65-91.
- Earth Charter Commission (2000). *The Earth Charter: The Way Forward*. Earth Charter International. <https://earthcharter.org/read-the-earth-charter/the-way-forward>
- Elkington, J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Capstone Publishing.
- Freeman, R. E. (2010 [1984]). *Strategic Management: A Stakeholder Approach*. Cambridge University Press.
- Gomes, E. P. G. F., & Limeira, A. L. F. (2022). Corporate Governance and Compliance: Relevant Distinctions on a Problem. *Revista Jurídica*, 2, 476-500.
- Hess, C., Brandão, M., & Nogueira, R. (2023). John Elkington: Father of Sustainability. *Revista Investidores (RI)*, No. 273, IMF Editora LTDA. <https://www.revistari.com.br/273>
- IBGC (2018). *Code of Best Corporate Governance Practices* (5th ed.). IBGC.
- Lazzarini (2010). *Sérgio Giovanetti. Capitalismo de laços: os donos do Brasil e suas conexões*. Elsevier.
- Marchesin, A., & Pereira, L. V. (2022). Greenwashing and ESG activism: Two Sides of the Same Coin. In A. S. Bravo, L. G. França & A. O. Sion (Eds.), *Essays on ESG* (p. 6). Rio de Janeiro: Synergia.

- OECD (2015). *Principles of Corporate Governance*. OECD Publishing.
<https://doi.org/10.1787/9789264236882-en>
- Oliveira, B. B. de, & Oliveira, E. F. de (2019). Inovação tecnológica e desenvolvimento no Brasil sob a perspectiva constitucional. *Revista de Direito, Inovação, Propriedade Intelectual e Concorrência*, 5, 23-44.
<http://site.conpedi.org.br/publicacoes/nl6180k3/7vp6gm41/Gvl9X8Or5bBA0a3w>
- Sachs, I. (2002). *Paths to Sustainable Development* (Organised by Paula Yone Stroh). Garmond.
- Sen, A. (2010). *Development as Freedom* (Translated by Laura Teixeira Motta; Technical Review by Ricardo Doninelli Mendes). Editora Companhia das Letras.
- Shleifer, A., & Vishny, R. W. (1997). A Survey of Corporate Governance. *The Journal of Finance*, 52, 737-783. <https://doi.org/10.1111/j.1540-6261.1997.tb04820.x>
- Silva, F. C. N. S. e. (2023). Sustentabilidade empresarial e ESG: Uma distinção imperativa. *Revista de Gestão e Secretariado*, 14, 247-258. <https://doi.org/10.7769/gesec.v14i1.1510>
- Silveira, D. B. d., & Jorge, C. H. M. (2019). Compliance and Its Impact on Brazilian Law. *Scientia Iuris*, 23, 125. <https://doi.org/10.5433/2178-8189.2019v23n1p125>
- Sousa, H. A. de, Ferreira, P. O., & Mario, P. do C. (2022). Teoria dos Stakeholders e Governança Corporativa: Uma revisão sistemática sob as contribuições acadêmicas desta relação. In: *22º USP International Conference on Accounting e 19º Congresso USP de Iniciação Científica em Contabilidade*. FIPECAFI.
- Souza, L. C. de, Carlini, R. C., & Rezende, É. N. (2024) Analysis of ESG Washing According to the Doctrine of Negligent Distortion in Civil Liability for Unlawful Acts. *Scientia Iuris*, 28, 41-55. <https://www.ojs.uel.br/revistas/uel/index.php/iuris/article/view/47950>
- Teixeira, A. V., Sobrinho, L. L. P., & Reato, T. T. (2024). *Sustainability and ESG: Sustainable Consumption in the Neoliberal Scenario* (p. 2).
- UN Global Compact (2004). *Who Cares Wins: Connecting Financial Markets to a Changing World*.
- Vieira, J. B., & Barreto, R. T. de S. (2019). *Governance, Risk Management and Integrity*. Enap.