

# BOARD OF DIRECTORS AND CORPORATE SUSTAINABILITY – OUTLINING THE EFFECTIVE PROFILE OF THE BOARD

Alexander Kostyuk\*, Helen Kostyuk\*, Anna Shcherbak\*\*

\*Ukrainian Academy of Banking, Virtus Global Center for Corporate Governance, Ukraine

\*\*Virtus Global Center for Corporate Governance, Ukraine

## Abstract

Sustainability is one of the most significant trends in financial markets for decades. Sustainability is where businesses should focus today in order to reach and maintain a leading position and have a long-term perspective. The paper investigated into the researchers view on the ways corporate sustainability should be embedded, specifically into the issues of interrelations of the company's strategy and sustainability road, connection of corporate governance and corporate sustainability, into the roles of corporate governance agents in the sustainability integration. The paper highlighted the lack of specification of the roles for stakeholders involved, determined the importance of the future empirical investigation conduction and raised the important issues of the corporate sustainability and corporate governance correlation, which still have not been properly examined.

**Keywords:** Corporate Sustainability, Corporate Governance, Board of Directors, Triple Bottom Line

## 1. INTRODUCTION

In the time of globalization and fast changing environment, the nature of global economy is constantly evolving. Business leaders have to understand the importance of devoting efforts towards creating and maintaining a sustainable organization (Thiele, 2013).

Sustainability is a wide spread concept, which in 21 century is not only the way of moving, it is a needed step in order to be the accepted member of the corporate society. Issues of corporate responsibility, ethical behavior and moral values – needs to be addressed and implemented, in order to achieve a superior business model. (Taticchi, Carbone & Albino, 2013)

Enron, WorldCom and many other companies (Boerner, 2014), which have been behaving in a non-sustainable way, neglected personal responsibility and ethical values, are good examples of how fast an organization can go down without a clear understanding of the importance of ethical decisions in the modern world.

It is important to take into account the context in which organization works and where it will be operating in the future. Sustainability factors already have a strong influence on the investor's decision towards the choice of the company (Pizzani, 2015).

Understanding sustainability from different perspectives, accepting the multiplicity of the concept and its effect on the corporation's development is an issue that needs to be focused on. New world needs an recognition of the interrelatedness of things.

Talking about sustainability is definitely not enough. It should be implemented wisely into the company's day-to-day operations. The paper

investigates into the researchers view on the ways corporate sustainability should be embedded, specifically into the issues of interrelations of the company's strategy and sustainability road, connection of corporate governance and corporate sustainability, into the roles of corporate governance agents in the sustainability integration.

In order to understand the interrelation between actions of corporate governance agents and its influence on the corporate sustainability, it is important to clarify the meaning under the concept of the "corporate sustainability".

There is no unified definition of the "corporate sustainability" concept due to its complexity and multidimensionality. Different researchers outline the different aspects of the idea.

Accordingly to the Brundtland Report, from the United Nations World Commission on Environment and Development (WCED), which was published in 1987, Corporate Sustainability must be deliberated as an fundamental goal of fulfilling the needs of the present generation without jeopardizing the future generation's ability to satisfy their own needs (WCED, 1987).

From the Muel Kaptein and Johan Wempe (2002) point of view Corporate Social Responsibility (CSR) is considered to be an transitional level of Corporate Sustainability, where organizations deal with Triple Bottom Line.

The Concept of Triple Bottom Line, which was suggested by John Elkington in 1997, is constantly used when describing the relationship of business and sustainability. Methods by which a company measures value, should include not only financial aspects but also social and environmental impact (Elkington, 2006).

Planet (environmental dimension) – where no renewable resource should be used faster than

nature's ability to replenish it, no contaminant should be produced at the higher rate than the nature's ability to absorb or denaturalize it.

People (social dimension) - environmental preservation shouldn't stop the creation of the new jobs and profitability should not lead to the law wages of the employees or tax evasion.

Profit (economic dimension) - every business should be valuable and profitable, attract investment and grow (Kostyuk, 2005; Savitz & Weber, 2006).

Marrewijk and Were (2003) state that there is no particular definition of the corporate sustainability, hence for each organization it is different and arise from its objectives and purpose.

The most generalizing definition of sustainability is a place, where economy, environmental health and social realities overlap. In other words sustainability is a more transparent, more ethical and more human way of doing business (van Marrewijk, 2003).

The following literature review gives the perspectives of various researchers on the corporate sustainability related issues, it outlines the different angles that were used by authors while approaching the core of the concept. The third section of the paper contains the reasoning regarding the existing gaps in the ways of utilizing the corporate sustainability by corporate governance system, it raises the urgent questions, that need to be answered through the proper investigation into the mechanisms of corporate governance.

## 2. LITERATURE REVIEW

### 2.1. Corporate sustainability and organizational performance correlation

Number of scientists have studied corporate sustainability importance and its influence on the organization's overall performance.

Studies of Robert G. Eccles, Ioannis Ioannou and George Serafeim (2012) underline the strong correlation between the sustainability and enduring corporate performance, demonstrating that companies, which are integrating the sustainability values in their overall direction show better financial results and outplay their competitors

Suzanne Benn and Dexter Dunphy (2007) believe that durability of a corporation depends on, among others, equitable distribution of risks and democratic management, both of this issues enhanced through better corporate governance and sustainability. Activities of the company in association with general economic development set out new environmental and social risks and there is a strong demand from the society for these issues to be addressed.

Alena Kocmanová, Jiří Hřebíček, and Marie Dočekalov (2011) underline the importance of the economic, social and environmental pillar in terms of concept of the sustainable development for effective performance of the firm.

Shih-Fang Lo and Her-Jiun Sheu (2007) empathize the fast spreading of the corporate sustainability concept and its positive effect on the firm's value. They also stress the fact, that

companies with the sustainable strategies attract more investors.

Nastja Tomsic, Stefan Bojnec and Blaz Simcic (2015) investigated into the link between corporate sustainability and financial performance of the firm.

Nils M. Høgevold, Goran Svensson, Beverly Wagner, Daniel J. Petzer, H.B. Klopper, Juan Carlos Sosa Varela, Carmen Padin and Carlos Ferro (2014) state that there is an increasing number of organizations that are willing to embed a sustainable business models, which makes an corporate sustainability area a relevant and valuable for investigation.

Busaya Virakul (2015), Kostyuk, A. (2013) confirm the connection and strong influence on the company's performance of such concepts as sustainable development, corporate governance, Corporate Social Responsibility and corporate sustainability.

### 2.2. Corporate governance and corporate sustainability

Several researchers, who underline the inseparability and mutual interference of corporate governance and corporate sustainability, have raised the issue of interrelations of the concepts.

Güler Aras and David Crowther (2008) declare corporate sustainability and corporate governance as fundamental factors to the continuing operation of any organization. In order to investigate into the interrelation of the two concepts the authors analyze the FTSE100 companies and their corporate governance practices. The research does not provide a quantitative analysis of the data. They didn't support or reject their hypothesis due to the lack of decent methodology. They conclude that a firm which has a more complete understanding of both sustainability and corporate governance will address these issues more completely and use that conjecture to assert the validity of their hypotheses. Without conduction of the analysis of any sort, it is unclear how that conclusion is reached.

Paul Shrivastava and Amr Addas (2014) examined the connection of sustainability and corporate governance through the Bloomberg ESG (Environmental, Social and Governance) index. They test weather a good corporate governance practices lead to a more sustainable way of doing business. The authors argue that quality corporate governance itself can engender high sustainability performance.

Nazim Hussain, Ugo Rigoni and Rene Orji (2016) examined the influence of corporate governance characteristics (such as: board independence, board size, women on the board, CEO duality, existence of the sustainability committee, number of meetings per year) on a sustainable performance. Though the empirical investigation Hussain, Rigoni and Orji show that most of the corporate governance characteristics intensify organization's social and environmental sustainability performance, but not economic pillar of the triple bottom line of sustainability.

Suzanne Benn, Dexter Dunphy and Andrew Griffiths (2007), Kostyuk A. (2006) state that challenges of corporate governance, such as issues of ownership and control balance with the commitment of stakeholders, can be considered as a

corporate sustainability concern. Corporate sustainability is starting to shape corporate governance.

### **2.3. Corporate sustainability strategy implementation**

Corporate sustainability implementation into the practice is an urgent question that was raised by researchers.

Gayle C. Avery (2015) in his study based on the Boston/Sloan survey of the 2,587 business managers, practitioners and experts stated that business leaders are assembling a growing number of partnerships. Collaboration is the way to increase the effectiveness of the sustainability programs implementation. Importance of the embedding the sustainability into the core of governance processes is actual in practice recently worldwide.

Ingrid Bonn and Josie Fisher (2011) in their study in 2011 raised the problem that managers are facing on the way to sustainability implementation, the authors argue that sustainability dimensions have to be embedded into the corporate strategy and deliberated in strategic decisions.

Sabrina Engert, Romana Rauter and Rupert Baumgartner (2016) generated a deep literature review of the corporate sustainability integration into strategic management, the authors supports the idea, that even though, there have been done a lot of research on the formulation of the corporate sustainability, there is still a lack of embedding of corporate sustainability into practice.

Marc J. Epstein and Marie-Josée Roy (2001) sets the framework for analyzing the drivers of corporate sustainability, but the concept itself in practice is not helping companies to implement the corporate sustainability. Successful implementation of the strategy requires the ability to translate it into action.

Alice Klettner, Thomas Clarke and Martijn Boersma (2013) underline the scarce literature on the embedment of the corporate sustainability strategies, they also underpin the rapidly increasing demand for empirical research in the particular area.

Martina K. Linnenluecke and Andrew Griffiths (2013) believe that there is still a great potential to the development of the corporate sustainability field, it requires a broader consideration of the emerging scientific problems.

Rupert J. Baumgartner (2009) in his study highlight the need for qualitative research in order to create a valued contribution to the field of corporate sustainability.

Tobias Hahn, Lutz Preuss, Jonatan Pnkse and Frank Figge (2014) argue that corporate sustainability is rather ambiguous issue, which is distinguished but interrelated and at the same time conflicting aspects.

In their paper Sonja-Katrin and Fuisz-Kehrbach (2015) discuss that even though there is a wide range of corporate sustainability activities, there is still a "white" gap of yet unexplored issues of corporate sustainability, which have to be investigated

Corporate sustainability implementation is a major concern for organizations, different authors

address the corporate sustainability from different perspectives.

Pratima Bansal (2002) discuss the managers concern regarding the societal, environmental and economic issues of sustainable development, he raises the need for sustainable developmet to become more instionilized.

Herman Aguinis and Ante Glavas (2012) investigate into the theoretical underling mechanisms of the corporate sustainability, they propose a research agenda for future analyses of the CSR.

Francois Maon, Adam Lindgreen and Valerie Swaen (2008) propose a conceptual framework for prioritizing and integration corporate sustainability aspects, they argue that managers face serious challenges, identifying the scope of relevant issues to design a corporate sustainability program for the organization.

Sanjay Sharma (2000) examined the general drivers of corporate sustainability. Author states that corporate decision makers confront with the challenges of meaning uncertainty and ambiguity of application of the corporate sustainability for their organizations.

### **2.4. Board of directors role in the sustainability issues**

Various authors emphasize the importance of the board of directors in the corporate sustainability implementation, and stress its influence on the successful operation of the company.

Avery (2015) studies underline the importance of the board of directors engagement, and a successful outcome of the boards action towards sustainability. Only 22% of the managers are satisfied with the board's actions towards sustainability. Accordingly to the study lack of sustainability knowledge, short-term view and concentration on other priorities hold board of directors from full commitment to the sustainability path.

Natalia Ortiz de Mandojana and Juan Alberto Aragon-Correa (2013) suggest that directors of the organization might form a resource, which can produce a sustainable competitive advantage.

Paul Shrivastava and Amr Addas (2014), Kostyuk A. (2014) argue that disciplined board result in a better sustainability performance including banks despite its specific business processes.

Colin Mayer (2013) emphasize the value of executives and independent boards in the corporate sustainability contribution to guarantee the interest protection of the current and future stakeholders (including customers, employees and society in general)

Nastja Tomsic, Stefan Bojnc and Blaz Simcic (2015) consequential positive effect of the strong leadership on the corporate sustainability.

Idoya Ferrero-Ferrero, María Ángeles Fernández-Izquierdo and María Jesús Muñoz-Torres (2013) that through board diversity the more sustainable business approach might be reached. They also stress the overall importance of the generational diversity of the board in setting the strategic direction of the organization.

### 3. UTILIZING THE CORPORATE SUSTAINABILITY BY CORPORATE GOVERNANCE SYSTEM

A sufficient level of corporate sustainability for the company, might be reached only through the corporate governance mechanisms.

The most widely used definition of the corporate governance is the one, established by Cadbury Committee in 1992 "the system by which companies are directed and controlled". The more specific definition was provided by IFC, which states that corporate governance is "the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders".

The governance structure describes rights and responsibilities of different stakeholders and board of directors (Kostyuk A., 2005).

Governance factors include board dedication, board independence, compensation policies,

takeover defences, and strength of internal audit and control mechanisms (Gompers, Ishii, and Metrick, 2003).

In modern corporations the main issue of corporate governance is separation of ownership and control. The interests of the owners (shareholders) are not regularly lined up with the interests of managers, which are hired as agents. In order to resolve the agency problem there is a need for specific governance structure designs, which ensure that managers act in the shareholder's interest (Fama & Jensen, 1983).

Only through integration of corporate sustainability into the corporate governance system, the decent results might be achieved. In order to understand the process of embedding the concepts and underline the existing research gaps table 1 was created, which summarizes and structures the literature review and propose the ideas for future investigations.

**Table 1.** New perspective of the field of corporate sustainability

<i>Elements of the Corporate Governance</i>	<i>Authors, that have raised this issue</i>	<i>Future directions of the investigation proposed</i>
Corporate Governance as a general concept	Guler Aras and David Crowther (2008); Paul Shrivastava and Amr Addas (2014); Nazim Hussain, Ugo Rigoni and Rene Orji (2016)	The authors have emphasized the undeniable interrelation of corporate governance and corporate sustainability, but the conclusions are too general and not applicable in practice
Board independence	Colin Mayer (2013)	There has been a significant trend towards the election of independent directors to boards (in some cases as a majority of the members). It is important to understand whether independent directors have or must have an influence on the corporate sustainability path of the corporation.
Board competence	Kostyuk A. (2014); Natalia Ortiz de Mandojana and Juan Alberto Aragon-Correa (2013)	The issue of the board members competence in the area of corporate sustainability, required qualification and specialization, which knowledge in the area of sustainability must be obtained by the governance members and how to achieve a required competence.
Board composition	Idoya Ferrero-Ferrero, María Ángeles Fernández-Izquierdo and María Jesús Muñoz-Torres (2013) Avery (2015)	The importance of the board diversity have been raised by researchers, but there is a need for conducting guidelines that will ease a practical application of recommendations
Board size	Nazim Hussain, Ugo Rigoni and Rene orji (2016)	Economic pillar of the corporate sustainability have also a significant impact, which have to be analyzed
Management attitude and behavior	Nastja Tomsic, Stefan Bojnec and Blaz Simcic (2015) Ingrid Bonn Josie Fisher (2011); Sabrina Engert, Romana Rauter, Rupert Baumgartner (2016) Pratima Bansal (2002)	There is a gap in the development of the management awareness of the corporate sustainability issues and requirements
Organizational culture	Francois Maon, Adam Lindgreen and Valerie Swaen (2008) Sanjay Sharma (2000)	Whole organization's environment has to be adapted in order to accept and make the corporate sustainability be productive for the company. The mechanisms, through which corporate sustainability can be embedded in the organizational culture are necessary tools for changing the mindsets of the stakeholders.
Sustainability committees	Herman Aguinis and Ante Glavas (2012)	There have been a positive correlation between the existence of the sustainability committees and company's progress towards the sustainability. There must be done an investigation whether it is necessary to embed the sustainability committees into the structure of each company on the legislative level.
Compensation policies	-	In order to motivate the company's management and board of directors to drive the company to the sustainability there is a strong need for remuneration policies, which would stimulate the sustainable development.

The general interrelation between the corporate governance and corporate sustainability have been studied and underlined, but there is a significant lack of the specific investigations into the particular influence of the elements of the corporate governance on the corporate sustainability implementation.

Corporate sustainability implementation into the organization's strategy is a set of decisions.

Accordingly, to the Jensen and Fama (1983), there are four levels of the decision process, which is allocated between the agents of the company.

1. Initiation - creation of the possible alternative ways of resource management;

2. Ratification - choice of the decision alternatives;
3. Implementation - executing the choices;
4. Monitoring - measuring and rewarding the performance.

Initiation and ratification steps are called decision management and implementation and monitoring refer to the decision control.

At the stage of initiation, it is crucial to specify how the steps of the decision process are divided among the agents. Initiation and implementation steps are assigned to management and the ratification and monitoring to the board of directors (Fama & Jensen, 1983). Since the sustainability path implementation is a major decision, it is important for organization's agents to share the responsibility properly.

It is important for Board of directors to realize the strategic value of corporate sustainability. Board of directors plays the key role in the corporate planning and performance oversights, it sets the direction in which the company is moving, that is why, it is crucial for board of directors to have the mind set on the cultivating the corporate sustainability of the company, in order for it to successfully maintain the leading position.

The question of the independent director's value in the board composition have sharply raised after the 2007-2008 financial crisis. Before the failure the concept of "board independence" was perceived as a fundamental tool for improving the monitoring role of the board, yet the crisis has showed that independent directors contribution were overestimated, these directors often lack an understanding of the insights of the business they were supposed to control.

There is a still ongoing debate around the concept of "Independence", hence the more distinct director is from the company, the less expertise and knowledge he has regarding the organization, and controversy the more information regarding competitors, strategy, company's business, technologies, markets, etc. makes a director less independent. The importance of independence and objectivity should not exceed the relevant capabilities needed for the organization.

The monitoring function of the independent directors has been strongly emphasized, but this should be not the only task that independent directors fulfill. The main role of the directors is to set the strategic direction of the organization, which can not be professional without deep engagement in the company's day-to-day bases.

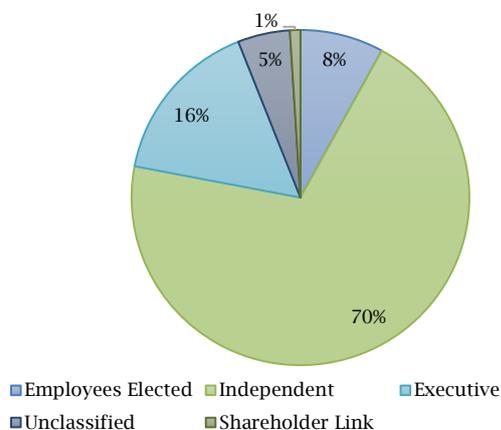
Analyzing the board composition of the TOP 20 international Banks it is impossible to argue against the significance of the independent directors. Independent directors represent a 70% of the board (see Figure 1).

Results of the Spencer Stuart analysis of the Standard & Poor's 500 largest companies listed on American stock exchange, have also underlined definite independent directors value (see Tables 2&3)

Independent directors now make up 84% of all S&P 500 board members. Average age of independent director is 63 years, which also is raising an important question regarding the ability of the independent directors to have expertise in the corporate sustainability issues, due to the fact that

the concept of "sustainability" is new and still emerging issue.

Figure 1. Categorization of Directors Top 20 International Banks



Source: Directors Council, 2011

Table 2. S&P 500 total statics

	2014	2009	2004
Average Board Size	10,8	10,8	10,8
Independent directors	84%	82%	80%

Source: Spencer Stuart Board Index, 2014

Table 3. S&P 500 Top Financial Institutions

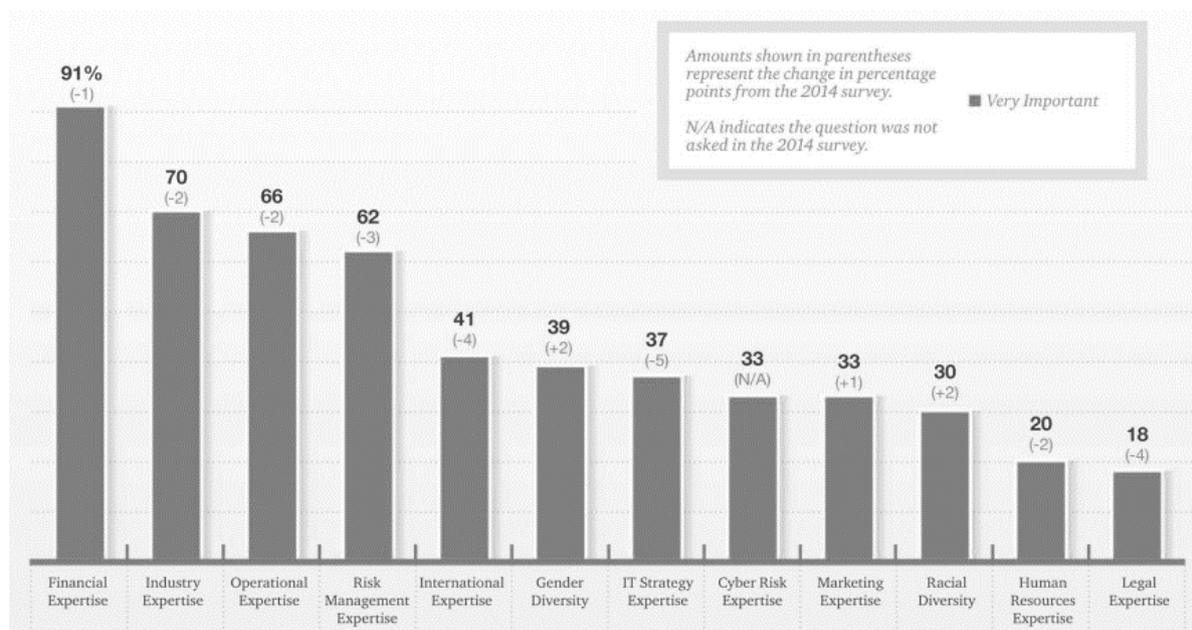
	Total	Independent directors	Percentage	Average age
Bank of America	15	13	86,67%	63
Citigroup	14	12	85,71%	64
Comerica	9	8	88,89%	57
JPMorgan Chase&Co	11	10	90,91%	63
U.S. Bancorp	14	13	92,86%	66
Wells Fargo&Company	14	13	92,86%	64
The Goldman Sachs Group	13	10	76,92%	61
Morgan Stanley	15	12	80,00%	64

Source: Spencer Stuart Board Index, 2014

Analyzing the PricewaterhouseCoopers Annual Corporate Director's Survey we can clearly state, that corporate sustainability expertise have not been even considered to be an important issue for board of directors (see Figure 2).

The board of directors is in charge of the company and is responsible for its actions in front of stakeholders. Hence there is a huge responsibility on the behavior of the board, there have been issued some guidelines and recommendations by regulators of corporate governance worldwide with the focus on the board and its performance.

The Basel Guidelines (BCBS, 2015), the document which is focused on the unique issues related to the corporate governance of the banking industry; The UK Corporate Governance Code by Financial Reporting Council (FRC, 2014); The Walker Report (The Walker Report, 2009) none of this guidelines have mentioned the importance and necessity of the corporate sustainability expertise for the members of the board of directors.

**Figure 2.** How would you describe the importance of having the following attributes on your board?

Source: PwC, Annual Corporate Director's Survey, September 2014, PwC, Annual Corporate Director's Survey, September 2015

Role of the implementation of the sustainability into the organization strategy requires a government inclusion. Which will demand companies to report regarding their sustainability practices on the legislative level. Such actions might prevent the global society from collapses and failures of the companies, which might cause a serious damage to the whole community.

Regarding the decision process there is a definite uncertainty, the questions such as: Who should be an initiator of the sustainability embedding?; Who is responsible for the corporate sustainability strategy design?; Who should control and monitor this issue? etc.

In order for sustainability to be embedded in the final product each of the company's stakeholders should be aware and participating in their own way, since each of them have an environmental, social or economic impact. The involvement of all of the organization's stakeholders in the productive chain allows cost reduction, risk mitigation, better use of resources, access to new markets, prestige and higher productivity, guarantee the business continuity. The question, which needs to be answered is how to reach this level? How to make each of the stakeholders care? Which one of the company's agents affect the corporate sustainability the most, and who's actions will successfully lead an organization towards corporate sustainability?

Corporate sustainability is an inseparable from corporate governance, but specifically this correlation has not been properly investigated in.

Researchers who mention the sustainability path implementation (Benn&Dunphy; Shivastava&Addas; Hussain, Rigoni, Orij; Dunphy, Griffith&Benn) in their research do not mention specification accordingly to the corporate governance model of the organization.

Such a unified method might not be the applicable for different countries.

United States characterized by high dispersion of ownership (Aguilera and Jackson, 2003), while Germany might be considered as an example of a model, where the range between ownership and control is smaller than in the USA. Japan's corporate governance system is centered around the main bank and a financial/industrial network or keiretsu (Bradley, Schipani, Sundaram & Walsh, 1999). While Indian model is a combination of German and Anglo-American models (Shleifer & Vishny, 1997).

International comparison supports the idea that the approaches to corporate governance vary and there have to be developed a guidelines for implementation, which will take into consideration the specifics of the corporate governance model of the organization.

The question, that stay's unanswered is: How to align the corporate governance with corporate sustainability, taking into the consideration the specifics of each model and national characteristics?

The corporate sustainability value has been underpinned by all of the researchers analyzed. Especially, the correlation between superior overall corporate performance and corporate sustainability path was supported by the studies of Eccles, Ioannou&Serafeim, Lo&Sheu; Tomšič, Bojnec & Simčič; Virakul and Kocmanová, Hřebíček & Dočekalová.

None of the researchers have mentioned the chance of the possible negative outcome in case of the misguided corporate sustainability implementation, which due to the lack of the developed strategies can be a possible scenario.

Most of the scientists concentrate their attention on the theoretical formulation of the concept, rather than on practical recommendations regarding actual implementation of the corporate sustainability.

Even though, such authors as Bonn&Fisher; Enger, Rauter&Baumgartner; Epstein&Roy, have raised the importance of the corporate sustainability

and strategy interrelation there have been no development of the practical framework for embedding and there is still an urgent need for guidelines which will facilitate the application of the concept.

There have been a lot of discussions concerning what a corporate sustainability is and how crucial it is for modern businesses to implement it. (M. Hogevoeld et al., Aras&Croether; Avery; Engert, Rauter&Baumgartner). However, there has been no decent discussion, regarding the way to implement it in corporate strategy of the company.

The need for a decent empirical study and a deeper investigation into the specific aspects of the corporate sustainability was supported by Klettener, Clarke&Boersma; Linnenluecke&Griffiths; Baumgartner; Hahn, Preuss, Pinksee&Figge and Fuisz-Kehrbach.

A lot of studies outline the importance of the board of the directors (Avery; Ortiz-de-Mandojana&Aragon-Correa; Shivastava&Addas; Mayer; Tomsic, Bojnec&Simic; Ferrero-Ferrero, Fernandez-Izquierdo&Munoz-Torres), but the researchers do not mention the interaction with the other stakeholders of the organization since every stakeholder have to be involved in order for sustainability to be a successful route.

#### 4. CONCLUSION

Sustainability is one of the most significant trends in financial markets for decades. Sustainability is where businesses should focus today in order to reach and maintain a leading position and have a long-term perspective.

Corporate sustainability needs not only the theoretical recognition by the researchers, it needs a decent empirical based investigation. It would be valuable to analyze the issues of corporate sustainability from cross disciplinary perspective.

Corporate sustainability is way to generalized concept, which is used nowadays as a "panacea" for all the problems. There must be some specification and clarification regarding this concept and its implementation in the corporate strategy, the ways it can be implemented, which levels it should be used at.

Sustainability might be implemented only through implantation it into the corporate strategy, which cannot be done without interaction with corporate governance. Effective corporate governance is the only way for company to reach the proper level of corporate sustainability.

There is no universal model of corporate governance hence there should be developed a set of guidelines for sustainability implementation with consideration of the governance model specifications. In which way governance and ownership structures might be changed to meet the aims of sustainable organizations.

There must be done a research investigating into the role of each agent of the corporate governance in the implementing a sustainability accordingly to the specifics of the corporate governance model.

It was stated that board of directors is a key driver to the sustainability commitment. The role of the Board of directors must be not just outlined but deeper investigated in. If Board have a major role in

solving the corporate sustainability problem, there must be an investigation into interaction with other agents and developed a recommendations regarding the board of directors' actions towards a successful embedding of sustainability into the core of the organization.

The corporate sustainability embedding should start from the top and permeate through the all components of the organization. There is the need to explore the levels of the sustainability incorporation into organization. Which agents is responsible for which stage of the decision process regarding the corporate sustainability.

It is important to really understand the strategy of the company, not staying on the surface of the issue but to get into the insights, bringing everybody to understanding what a sustainability for a company is. Through the empirical research it should be explored in details what are specifics of corporate sustainability is and how an organization can choose this path.

Sustainability is about a long-term thinking and planning, the benefits of its implementation might not be seen right away, which might cause some obstacles while engaging the stakeholders of the organization in the actions towards the corporate sustainability road. Deeper commitment to the sustainability and its proper embedding in the corporate strategy, might be encouraged through the remuneration policy, which should motivate and inspire agents of the corporation to be active and responsible.

The system of corporate governance of the company needs to be transformed and redesigned, at various levels, to meet the sustainability challenges. Adjusted corporate governance is the only way to form the proper corporate behavior that will lead to the corporate sustainability for the company. As a result, there is an urgent need for the development of the mechanisms, which will embed the corporate sustainability into the corporate governance system.

#### REFERENCES

1. Agoraki, M., Delis, M., & Staikouras, P. (2010). The effect of board size and composition on bank efficiency. *IJBAAF*, 2(4), 357. <http://dx.doi.org/10.1504/ijbaaf.2010.037155>
2. Aguilera, R., & Jackson, G. (2003). The Cross-National Diversity of Corporate Governance: Dimensions and Determinants. *The Academy Of Management Review*, 28(3), 447. <http://dx.doi.org/10.2307/30040732>
3. Aguinis, H., & Glavas, A. (2012). What We Know and Don't Know About Corporate Social Responsibility: A Review and Research Agenda. *Journal Of Management*, 38(4), 932-968. <http://dx.doi.org/10.1177/0149206311436079>
4. Andres, P., & Vallelado, E. (2008). Corporate governance in banking: The role of the board of directors. *Journal Of Banking & Finance*, 32(12), 2570-2580. <http://dx.doi.org/10.1016/j.jbankfin.2008.05.008>
5. Aras, G., & Crowther, D. (2008). Governance and sustainability. An Investigation into the Relationship Between Corporate Governance and Corporate Sustainability. *Management Decision*, 46(3), 433-448. <http://dx.doi.org/10.1108/00251740810863870>
6. Avery, G. (2015). Key corporate sustainability

- drivers: engaged boards and partnerships. *Strategy & Leadership*, 43(3), 44-48. <http://dx.doi.org/10.1108/sl-02-2015-0015>
7. Bansal, P. (2002). The corporate challenges of sustainable development. *The Academy Of Management Executive*, 16, 122-131.
  8. Basel Committee. (2015). *Basel Committee on Banking Supervision* (1st ed.). Bank for International Settlement.
  9. Baumgartner, R. (2009). Organizational culture and leadership: Preconditions for the development of a sustainable corporation. *Sustainable Development*, 17(2), 102-113. <http://dx.doi.org/10.1002/sd.405>
  10. Benn, S., & Dunphy, D. (2007). *Corporate Governance and Sustainability: Challenges for Theory and Practice*. London: Routledge.
  11. Boerner, H. (2014). *Enron | Sustainability Update*. Ga-institute.com. Retrieved 27 March 2016, from <http://ga-institute.com/Sustainability-Update/tag/enron/>
  12. Bonn, I., & Fisher, J. (2011). Sustainability: the missing ingredient in strategy. *Journal Of Business Strategy*, 32(1), 5-14. <http://dx.doi.org/10.1108/02756661111100274>
  13. Bradley, M., Schipani, C., Sundaram, A., & Walsh, J. (1999). The Purposes and Accountability of the Corporation in Contemporary Society: Corporate Governance at a Crossroads. *Law And Contemporary Problems*, 62(3), 9. <http://dx.doi.org/10.2307/1192226>
  14. Clark, Gordon L., Andreas Feiner, and Michael Viehes. *From The Stockholder To The Stakeholder. How Sustainability Can Drive Financial Outperformance*. University of Oxford and Arabesque Partners, 2015. Web. 13 Feb. 2016.
  15. Dunphy, D., Griffiths, A., & Benn, S. (2007). *Organizational change for corporate sustainability*. London: Routledge.
  16. Eccles, R., Ioannou, I., & Serafeim, G. (2012). The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance. *SSRN Electronic Journal*. <http://dx.doi.org/10.2139/ssrn.1964011>
  17. Elkington, J. (2006). Governance for Sustainability. *Corporate Governance: An International Review*, 14(6), 522-529. <http://dx.doi.org/10.1111/j.1467-8683.2006.00527.x>
  18. Engert, S., & Baumgartner, R. (2016). Corporate sustainability strategy вЂ“ bridging the gap between formulation and implementation. *Journal Of Cleaner Production*, 113, 822-834. <http://dx.doi.org/10.1016/j.jclepro.2015.11.094>
  19. Engert, S., Rauter, R., & Baumgartner, R. (2016). Exploring the integration of corporate sustainability into strategic management: a literature review. *Journal Of Cleaner Production*, 112, 2833-2850. <http://dx.doi.org/10.1016/j.jclepro.2015.08.031>
  20. Epstein, M., & Roy, M. (2001). Sustainability in Action: Identifying and Measuring the Key Performance Drivers. *Long Range Planning*, 34(5), 585-604. [http://dx.doi.org/10.1016/s0024-6301\(01\)00084-x](http://dx.doi.org/10.1016/s0024-6301(01)00084-x)
  21. Fama, E., & Jensen, M. (1983). Separation of Ownership and Control. *SSRN Electronic Journal*. <http://dx.doi.org/10.2139/ssrn.94034>
  22. Ferrero-Ferrero, I., Fernandez-Izquierdo, M., & Muoz-Torres, M. (2013). Integrating Sustainability into Corporate Governance: An Empirical Study on Board Diversity. *Corp. Soc. Responsib. Environ. Mgmt.*, 22(4), 193-207. <http://dx.doi.org/10.1002/csr.1333>
  23. FRC. (2014). *The UK Corporate Governance Code* (1st ed.). Financial Reporting Council. Retrieved from <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>
  24. Fuisz-Kehrbach, S. (2015). A three-dimensional framework to explore corporate sustainability activities in the mining industry: Current status and challenges ahead. *Resources Policy*, 46, 101-115. <http://dx.doi.org/10.1016/j.resourpol.2014.10.009>
  25. Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate Governance and Equity Prices. *The Quarterly Journal Of Economics*, 118(1), 107-156. <http://dx.doi.org/10.1162/00335530360535162>
  26. Hahn, T., Preuss, L., Pinkse, J., & Figge, F. (2014). Cognitive Frames in Corporate Sustainability: Managerial Sensemaking with Paradoxical and Business Case Frames. *Academy Of Management Review*, 39(4), 463-487. <http://dx.doi.org/10.5465/amr.2012.0341>
  27. Hussain, N., Rigoni, U., & Orij, R. (2016). Corporate Governance and Sustainability Performance: Analysis of Triple Bottom Line Performance. *J Bus Ethics*. <http://dx.doi.org/10.1007/s10551-016-3099-5>
  28. Kaptein, M., & Wempe, J. (2002). *The balanced company*. New York: Oxford University Press.
  29. Klettner, A., Clarke, T., & Boersma, M. (2013). The Governance of Corporate Sustainability: Empirical Insights into the Development, Leadership and Implementation of Responsible Business Strategy. *J Bus Ethics*, 122(1), 145-165. <http://dx.doi.org/10.1007/s10551-013-1750-y>
  30. Kostyuk A. Corporate Social Responsibility Index For Ukrainian Banks: The Essentials For Implementation [Text] / A. Kostyuk, O. Kostyuk, Y. Mozghovyi, Y. Kravchenko // Corporate Ownership and Control. - 2013. - Vol. 10. Issue 4 (continued - 4). - P. 434 - 445.
  31. Kostyuk A. European banks in Ukraine: Modelling risks, rewards and making forecasts [Text] / Kostyuk, H., Kostyuk, A., Mozghovyi, Y. // Risk Governance and Control: Financial Markets and Institutions. - 2014. - Vol. 4. Issue 4 (continued - 1). - P. 91 - 98.
  32. Kostyuk, A. The Kostyuk Report: Corporate Board Practices in Ukraine / A. Kostyuk // Corporate Board: role, duties & composition. Virtus Interpress. - 2005. - Vol. 1. Is. 1. - P. 18-27.
  33. Kostyuk A. Business innovations and structure of corporate ownership in Ukraine [Text] / A. Kostyuk // Corporate Governance. - 2005. - Vol. 5. Is. 5. - P.19 - 29.
  34. Kostyuk A. Board size and composition: the main tradeoffs [Text] / A. Kostyuk, V. Coverga // Corporate Board. - Volume 2, Issue 1, 2006. - P. 48-54.
  35. Linnenluecke, M., & Griffiths, A. (2013). Firms and sustainability: Mapping the intellectual origins and structure of the corporate sustainability field. *Global Environmental Change*, 23(1), 382-391. <http://dx.doi.org/10.1016/j.gloenvcha.2012.07.007>
  36. Lloret, A. (2016). Modeling corporate sustainability strategy. *Journal Of Business Research*, 69(2), 418-425. <http://dx.doi.org/10.1016/j.jbusres.2015.06.047>
  37. Lo, S., & Sheu, H. (2007). Is Corporate Sustainability a Value-Increasing Strategy for Business?. *Corporate Governance: An International Review*, 15(2), 345-358. <http://dx.doi.org/10.1111/j.1467-8683.2007.00565.x>

38. M. Høgevoold, N., Svensson, G., Wagner, B., J. Petzer, D., Klopper, H., & Carlos Sosa Varela, J. et al. (2014). Sustainable business models. *Baltic Journal Of Management*, 9(3), 357-380. <http://dx.doi.org/10.1108/bjm-09-2013-0147>
39. Maon, F., Lindgreen, A., & Swaen, V. (2008). Thinking of the organization as a system: The role of managerial perceptions in developing a corporate social responsibility strategic agenda. *Syst. Res.*, 25(3), 413-426. <http://dx.doi.org/10.1002/sres.900>
40. Mayer, C. (2013). *Firm commitment*. Oxford: Oxford Univ. Press.
41. Mysen, T. (2012). Sustainability as corporate mission and strategy. *European Business Review*, 24(6), 496-509. <http://dx.doi.org/10.1108/095553412111270519>
42. Ortiz-de-Mandojana, N., & Aragon-Correa, J. (2013). Boards and Sustainability: the Contingent Influence of Director Interlocks on Corporate Environmental Performance. *Business Strategy And The Environment*, 24(6), 499-517. <http://dx.doi.org/10.1002/bse.1833>
43. Peihani, M. (2015). The Basel Committee on Banking Supervision: a post-crisis assessment of governance and accountability. *Canadian Foreign Policy Journal*, 21(2), 146-163. <http://dx.doi.org/10.1080/11926422.2014.934870>
44. Pizzani, L. (2015). Expanding ESG Coverage. *CFA Institute Magazine*, 26(6), 30-31. <http://dx.doi.org/10.2469/cfm.v26.n6.12>
45. PwC., (2014). *Trends shaping governance and the board of the future* (1st ed.). PwC's 2014 Annual Corporate Directors Survey.
46. Savitz, A., & Weber, K. (2006). The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success And How You Can Too. *San Francisco, CA: Jossey Bass*.
47. Sharma, S. (2000). MANAGERIAL INTERPRETATIONS AND ORGANIZATIONAL CONTEXT AS PREDICTORS OF CORPORATE CHOICE OF ENVIRONMENTAL STRATEGY. *Academy Of Management Journal*, 43(4), 681-697. <http://dx.doi.org/10.2307/1556361>
48. Shleifer, A., & Vishny, R. (1997). A survey of corporate governance. *Journal Of Finance*, 737-783.
49. Shrivastava, P., & Addas, A. (2014). The impact of corporate governance on sustainability performance. *Journal Of Sustainable Finance & Investment*, 4(1), 21-37. <http://dx.doi.org/10.1080/20430795.2014.887346>
50. SpencerStuart., (2014). *Spencer Stuart Board Index* (1st ed.). Retrieved from [https://www.nyse.com/publicdocs/nyse/listing/Spencer\\_Stuart\\_Board\\_Index\\_2014.pdf](https://www.nyse.com/publicdocs/nyse/listing/Spencer_Stuart_Board_Index_2014.pdf)
51. Svensson, G., & Wagner, B. (2015). Implementing and managing economic, social and environmental efforts of business sustainability. *Management Of Env Quality*, 26(2), 195-213. <http://dx.doi.org/10.1108/meq-09-2013-0099>
52. Taticchi, P., Carbone, P., & Albino, V. (2013). *Corporate sustainability*. Berlin: Springer.
53. The directors Counsel., (2011). *Corporate Governance and Board Composition. A Comparison of GCC Board with UK, European an US Boards* (1st ed.). The Directors Counsel. Corporate Governance Consultants. Retrieved from [http://www.directorscounsel.com/downloads/corporate\\_governance\\_and\\_board\\_composition\\_article.pdf](http://www.directorscounsel.com/downloads/corporate_governance_and_board_composition_article.pdf)
54. The Walker Report., (2009). *A review of corporate governance in UK banks and other financial industry entities* (1st ed.). Retrieved from [http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/walker\\_review\\_261109.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/walker_review_261109.pdf)
55. Thiele, L. (2013). *Sustainability*. Cambridge: Polity.
56. Tomšič, N., Bojnec, Š., & Simčič, B. (2015). Corporate sustainability and economic performance in small and medium sized enterprises. *Journal Of Cleaner Production*, 108, 603-612. <http://dx.doi.org/10.1016/j.jclepro.2015.08.106>
57. van Marrewijk, M., & Werre, M. (2003). Multiple levels of corporate sustainability. *Journal Of Business Ethics*, 44(2/3), 107-119.
58. van Marrewijk, Marcel. "Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion". *Journal of Business Ethics* 44.2/3 (2003): 95-105. Web...
59. Virakul, B. (2015). Global challenges, sustainable development, and their implications for organizational performance. *European Business Review*, 27(4), 430-446. <http://dx.doi.org/10.1108/eb-02-2014-0018>.
60. World Commission on Environment and Development. (1987). *Our common future*. Oxford: Oxford University Press.