



The RIMS Strategic and Enterprise Risk Center presents:
Andrea Bonime-Blanc,
CEO and Founder of GEC Risk Advisory

ESG+T RISKS REQUIRE ENHANCED BOARD ATTENTION

By Russ Banham



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Dr. Andrea Bonime-Blanc spent two decades as a C-Suite global corporate executive at Bertelsmann, Verint and energy company PSEG, overseeing legal, governance, risk, ethics and other enterprise risk management considerations, such as corporate responsibility, crisis management, compliance audit InfoSec and environmental health and safety. An international corporate

lawyer by training, the multilingual Bonime-Blanc advises global business, government and nonprofit clients, serves on several boards of directors, writes articles and books (her newest book is *Gloom to Boom: How Leaders Transform Risk into Resilience and Value*). She appears regularly on *Bloomberg TV* and *Yahoo! Finance*, and gives presentations, including recently at Davos.

Although not a practitioner of ERM in the traditional sense, Bonime-Blanc's experience managing wide-ranging business risks encouraged RIMS to reach out and arrange an interview on what she considers the front-burner issues confronting board directors today.

RIMS: You co-authored the 2018 article in *Risk Management*, "Pale, Male and Stale," on board diversity and environmental, social and governance [ESG] risks. It got people talking then and I thought that would be a good place to get the ball rolling.

Bonime-Blanc: My coauthor and I had a much more sedate title for our piece, and were a bit taken aback – ultimately in a good way – when we found out that we were not only the cover story but with that provocative title no less! At the end of the day we were glad more people read the story because of the title. As to adding a 'T' for Technology to ESG there's a method to the madness: I consider ESG+T to be a set of crucial strategic risks that boards must elevate (for oversight), given the high potential to adversely affect an organization's business continuity and long term resilience and sustainability. We're seeing this play out at the moment, with the coronavirus pandemic whipping up a perfect storm of ESG+T risks.

RIMS: I can see how COVID-19 generates technology risks, due to employee productivity issues with so many people working from home not to mention the rise in cyber-attacks. How does it increase ESG risks?

B-B: If you consider the origin of the coronavirus as tipping from animal to human, there's an obvious biological component. Climate change affects biology, insofar as unknown and long dormant viruses entering the environment.

RIMS: I read something recently to that effect. As the polar caps melt, viruses trapped in the last ice age will be released.

B-B: I'm not a scientist but I have also read this. Scientists also say that the recent COVID-19 virus represents an example of an animal-to-human virus jumping due to human encroachment on formerly natural habitats that brings humans into closer contact with virus-laden animals. We cannot begin to imagine what the impact might be to human health and the global economy, if and when this occurs, and potentially more often.

RIMS: I see you qualified the risk.

B-B: Well, my hope is that businesses and governments in our capitalist-driven society will do what is necessary to slow the rate by which the planet is warming. It is within our reach, but the window of opportunity is closing. Bear in mind the environmental threat also poses dire social risks.

RIMS: Please elaborate, as 'social' risks in an ESG+T context generally are linked to issues of executive misconduct, income inequality and workplace discrimination, as opposed to environmental concerns.

B-B: The social issues you mention are key concerns for the board, given the impact on a company's reputation and financial condition. But look at the pandemic and infectious diseases more broadly—the effect on labor and the health and safety of customers and employees. People who become unemployed eventually lose their health insurance, putting strains on the health care system and human longevity. Mass unemployment generates social unrest, possibly culminating in acts of civil disobedience especially in poorer nations. There's also the possibility of rising rates of hunger. The federal government's mandate that workers in meat plants continue working was designed to maintain employment, lessen hunger, but at what cost? Potentially dire and even deadly health risks for the workers. These varied risks require board oversight, bringing us to the 'G' in ESG+T.

RIMS: Do boards and management have structures in place to provide proper governance of the risks you described?

B-B: One of the key points from our Risk Management article is that there is a lack of director diversity on most boards. Although some prog-



ress has been made, boards continue to be populated by mostly white, older men, a lot of them former CEOs and CFOs. My belief is that a more diverse board, whether this diversity is related to gender, ethnicity, race, nationality, age, functional or professional expertise or leadership qualities, is better equipped to address current and emerging ESG+T issues. There's nothing wrong with a former or current CEO or CFO sitting on a board, if that person has the right qualifications and leadership qualities. But most such individuals are heavily focused corporate growth and profits, as opposed to ESG+T risks and opportunities which in turn can cost millions and even billions of dollars in lost market share when not properly factored into business strategy.

RIMS: Do you believe boards will be held to account for not elevating the importance of ESG+T?

B-B: I also read your recent article in *Risk Management* indicating the pandemic will cause a surge in corporate bankruptcies, generating an increase in D&O (directors and officers) litigation. So it would seem the answer to your question is 'yes.' If the economy deteriorates quickly, more companies will seek bankruptcy protection, encouraging creditors to seek financial redress through the courts against directors and officers, holding them to account.

RIMS: If my tally is correct, you've taken care of the first three letters of the acronym—E, S, and G. I touched briefly on the T, but would like to ask you to elaborate why technology should rank alongside ESG as a top board concern.

B-B: From a strategic risk standpoint, technology is more of an opportunity than a risk. Consider this—if the pandemic had occurred 10 years ago, very few companies would have been able to conduct any business at all. There were no video conferencing platforms back then, certainly not to the extent or with the capacity and diversity that now exists. Imagine the economic catastrophe that would have ensued. My point is that boards must continually stay on top of all tech developments, which evolve rapidly. Data analytics, artificial intelligence, augmented reality, the internet of things, and other technologies are making work more efficient. And these tools may also become the primary means by which work will be accomplished in the future.

RIMS: Ignore technological innovation at your peril.

B-B: At this moment in time, we're living in accelerating history. I really believe this. So many terrible things occurring simultaneously have forced people to be inventive. One of my favorite expressions is, 'Necessity is the mother of invention.' Look at how some businesses reimagined their operations to serve people during the pandemic—the hockey visor manufacturer shifting to making medical shields, fashion companies making masks, restaurants and dry cleaners offering delivery services, and Jack Dorsey at Twitter boldly announcing that all work in the future at the company will be remote work, his way of promising continuous employment. Human ingenuity can never be discounted.

RIMS: I couldn't agree more. And to your point, boards failing to heed and encourage continual technological innovation effectively squander the opportunities presented.

B-B: Quite true, but I don't want to imply that technological attainment is not without serious risks. A cyber attack that occurs in a distributed way like a DDoS attack can shut down the business, as can especially virulent malware implanted through a simple email-based phishing attack. But the good far outweighs the bad.

RIMS: Do you have any parting comments?

B-B: I've written about this before but it bears repetition—the pandemic, in so many ways, is the 'warning shot across the bow.' We are living in, and companies are operating in, an era of truly big risks. Boards must step up and take ESG+T risks and especially the threat of future pandemics seriously. Before the coronavirus struck, the World Economic Forum listed infectious diseases as the tenth most impactful risk confronting governments and businesses.

Now it is upon us. The pandemic lay bare our society's health care inadequacies, employment risks, income inequality, racism, discrimination and other social issues and bad behaviors. Added up, capitalism is under siege.

This is why it is absolutely incumbent for boards to consider the interests of all stakeholders—employees, customers and communities, as well as shareholders and other investors—in every decision that management makes. It's up to everyone privileged to serve on a board to ensure that every stakeholder—every human being the company touches—is treated with care and respect. ■

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author.