

Taking on the “G” in ESG



In boardrooms everywhere, directors are increasingly focused on appropriate ESG oversight and risk management. Companies are facing complex environmental, social and governance challenges and it falls to board members and management to ensure their company’s structures and procedures take these factors into account. These challenges can present themselves in questions of greenhouse gas emissions, sustainability in the supply chain, employee diversity, equity and inclusion efforts, reporting, and board composition. This piece is intended to guide board members and management to integrate ESG into their governance strategy.

70%

S&P 500
companies
applying ESG
metrics in
incentive plans.¹

43%

Percentage of
directors reporting
their boards do not
dedicate sufficient
oversight to DEI.²

52%

Percentage of
directors looking to
improve their
understanding of
ESG performance.³

Key Developments in 2022:

- Board oversight and management of ESG issues
- Enhanced climate and human capital management disclosures
- Consistency between regulatory filings and public ESG reporting
- Increased transparency around board diversity
- Elevated investor and stakeholder pressure
- Expected increase in number of shareholder proposals on ESG issues

¹Semler Brossy, *2022 ESG + Incentives Reports*, July 2022

²2019-2020 NACD Public Company Governance Survey

³2020-2021 NACD Trends and Priorities of the American Boardroom

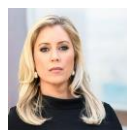
Board Governance Checklist: Key Action Items

1. Assess board committee structure and oversight
2. Define scope of board responsibilities and board reporting procedure
3. Assess board composition, specifically climate, diversity and other ESG competencies
4. Conduct annual board training
5. Refresh ESG strategy and ensure alignment to business goals as needed
6. Review ESG commitments, implementation plans and progress towards targets
7. Assign a responsible corporate officer for ESG
8. Conduct gap assessment of risk management, compliance and audit functions
9. Review policies and procedures and amend as needed for coverage gaps
10. Implement process for internal review of all public reports and external communications for consistency, transparency and mitigation of reputational risk
11. Update internal disclosures review process, including controls
12. Assess internal resources to meet reporting and disclosure requirements

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