An IRO's role in ESG oversight for corporate boards

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Planning and preparation

- Partner with appropriate functions, e.g., finance, legal, corporate affairs
- Build timetable along with key activities, proxy, AGM, quarterly board meetings
- Determine engagement approach
  - Presentation deck, messages, Q&A
    - Business strategy and recent developments on issues
    - Board and governance overview
    - Ethics and compliance
    - Sustainability and environmental goals
  - Confirm core engagement team and thoroughly prep

Updates on investor engagement program

- Assumes board receives regular updates on earnings news, investor sentiment, media coverage
- At least twice annually, summarize input from institutional investors on corporate governance practices, environmental and social issues and executive compensation program
- Provide update on execution of outreach program at key institutions and proxy advisory firms
- Summarize key institutions, rank in share position where meetings and/or calls were held

Role of proxy advisory firms

- They view their role as empowering clients with data and providing qualitative perspectives
- They can shift votes during proxy season
- Help clarify risk investment and risk factors
- Define position on proxy discussions

Summarize feedback

Overall positive or negative reception to engagement

Input on governance deck shared with institutions, advisory firms

Address concerns, e.g., board tenure, diversity, compensation, etc.

Cover decisions that are required

Communicating ESG updates to board

- Use appropriate depth – committee vs. full board
- Investor feedback is paramount
- Define goals & update on status (completed, on target, at risk, off-target)
- Structure reporting by materiality assessment or stakeholder group
- Anticipate questions

- Leverage appendix for details
- Keep the balance for appropriate focus on individual topic
- Downplay third-party ESG ratings
- Use outside education resources, e.g., NACD, media
- Anticipate what's next – include future look at rising topics in peers, industry

Other considerations

- Policy on number of shares held to accommodate meeting with board chair or lead independent director
- Materiality assessment for ESG reporting
- Surveys to complete, e.g., CDP, Bloomberg Gender Equality Index
- Meetings with socially responsibly investors
- Incorporate ESG topics into earnings reporting
- Preparation for activist shareholder activity