

ESG / Sustainability Governance Assessment

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Introduction

This is a tool for boards and corporate secretaries to assess and benchmark their ESG / sustainability governance practices. The checklist can be used to help a board conduct a self-assessment of its existing practices in this area, in order to develop a roadmap, work plan or project charter to guide further progress toward sustainability governance embedment. A measure of a company's maturity in integrating sustainability into governance, an ESG / sustainability governance assessment can be used as a springboard to the next stage of sustainability governance. (ESG refers to "environment, social and governance" and is used interchangeably in this tool.)

The Assessment consists of:

- A checklist of best, good and leading practices
- A rating system to rank your board's current practices.

The Assessment does not measure the quality, effectiveness, success, impacts or outcomes of an organization's practices, but reviews the degree and nature of an ESG Governance system.

The tool includes 38 practices for the board of directors. (A [companion document](#) includes 36 practices for management.) The practices range from foundational to leading. They can be prioritized, sequenced and phased, depending on the organization's culture, preferences and resources.

Please [contact me](#) if you would like assistance with your assessment, a third-party review of your self-assessment and / or assistance preparing board and management reports, policies and procedures for addressing your organization's gaps.

Rating System

The rating system is based on a 5-point ranking:

0 = No practices in place

1 = Weak practices

2 = Moderate practices

3 = Strong practices

4 = Full practices

N/A = not applicable

ASSESSMENT RESULTS *To be filled in after assessment is complete.*

Rating	
Full practice	
Strong practice	
Moderate practice	
Weak practice	
No practice	

ESG GOVERNANCE ASSESSMENT

Component and Practice Area	Assessment	Rating
Board of Directors provides oversight of corporate ESG strategy and performance.		
1. Vision and Strategy: The board demonstrates its commitment to ESG and ensures it is incorporated into the organization's vision and strategy.		
1.1 Organization charter incorporates commitment to ESG. ESG is incorporated in the core purpose statement and business model.		
1.2 Board and management have agreed on and communicated an explicit commitment to ESG.		
1.3 Board and management share a common definition of ESG as it relates to the organization, its sector and broader societal trends and mega-forces.		
1.4 Board has developed a common understanding of the organization's business case for ESG and its link to financial performance. The board is aware of how ESG translates into value creation specifically for the organization.		
1.5 Board and management have identified the ESG issues material to the business. They have developed a long-term ESG vision and strategy for the organization which is incorporated into the corporate strategy and sufficient resources have been allocated in the corporate budget to achieve ESG objectives.		
1.6 ESG is incorporated into the organization's mission, vision and values.		

1.7 Board is aware of ESG issues, impacts, risks, opportunities and trends specific to the industry, its suppliers, customers, supply chains and operating environment. These issues are addressed by the corporates strategy. The board is provided the information it needs to understand the ESG context. Reputable experts are available and regularly engaged to advise the boards on ESG matters.		
2. Oversight and Accountability: The board has established a governance structure to enable it to oversee the management of ESG issues and their integration throughout the organization.		
2.1 Board has delegated a committee(s) with responsibility for ESG oversight. The committee(s) is capable of overseeing ESG. Board ensures ESG is integrated into other relevant committees such as Risk Management, Audit, Nominations, Governance and Compensation.		
2.2 Board receives reports from, and has direct and unfettered access to, a designated ESG officer.		
2.3 Board has adopted and regularly reviews a ESG policy/s and ensures ESG commitments are integrated into existing corporate policies and routinely integrated into new corporate policies. Board confirms management has systems and procedures in place for implementing ESG policies. Board receives reports from Internal Audit on the organization's compliance with its ESG policies.		
2.4 Board roles and responsibilities include reference to ESG; governance policies / manuals embed the board's ESG philosophy and commitment. (Example: "The board is accountable to shareholders and relevant stakeholders and responsible for protecting and generating sustainable value over the long term. In fulfilling their role effectively, board members should monitor the effectiveness of the company's governance practices, environmental practices, and social practices." From ICGN Governance Principles)		

2.5 Board regularly reviews progress on the organization's performance against ESG goals, objectives and targets. The board allocates sufficient time to discuss ESG matters during meetings. The board provides input and counsel on ESG risk and opportunity identification and management.		
2.6 Board agendas promote integration of ESG issues with other agenda items such as strategy, finance and risk.		
2.7 Board has adopted an ESG framework which is consistently applied by subsidiary boards. Board has a means of assessing ESG performance of subsidiaries.		
2.8 Board ensures that management compensation is linked to performance on both short and long-term ESG goals and targets. The company's remuneration philosophy and policy address "ESG" compensation.		
2.9 CEO position description and annual performance plan incorporate ESG. The board includes ESG as a criterion for executive performance evaluation and periodically reviews the CEO against ESG capability and suitability qualities.		
2.10 ESG is included in CEO and executive succession planning, leadership development and competency models. The board ensures the company's talent development strategy addresses ESG competencies.		
2.11 Board periodically reviews and updates its ESG governance system (e.g. when corporate governance procedures, such as governance manuals, are reviewed).		

3. Risk Management and Financial Performance:

The board integrates ESG risks and opportunities into the management of enterprise risk and considers ESG impacts on financial performance.

3.1 Board provides oversight of the ESG components of the enterprise risk management program and ensures that ESG risk and corporate strategy are aligned.		
3.2 ESG impacts, issues, risks and opportunities are considered by the board when approving major operating decisions, including major capital projects, budgets, new business lines, mergers, acquisitions and divestitures.		
3.3 Board is informed of the potential ESG impacts of its decisions.		
3.4 Board reviews its own practices to reduce the social and environmental impacts of board meetings.		
3.5 Board receives independent and unfiltered information on stakeholder issues and concerns related to ESG to inform risk management and strategy (e.g. board meeting presentations, stakeholder dialogues, stakeholder panels that advise the board, grievance mechanisms, etc.). Board holds regular discussion about what relationships are important and how these might change.		
3.6 Board receives information on management's approach to building effective stakeholder relationships and ensures that systems are in place to monitor, measure and report on the effectiveness of relationships.		
3.7 Measures are in place for the board to assess the extent to which the company's ESG commitments are adhered to across the organization, and within its value chain. Organization regularly assesses compliance with, and implementation of, ESG commitments, voluntary standards, policies and		

management systems through an internal audit or other formal and systematic process.		
3.8 Board is informed of the financial impacts of key ESG issues on performance, liquidity and financial condition.		
4. Board Composition and Expertise: The board is equipped to provide oversight on material ESG issues.		
4.1 Board composition reflects the cultural, gender, age and geographic diversity of the marketplace.		
4.2 Nominating committee includes ESG skills, expertise, knowledge, and experience as a factor in director recruitment. One or more directors have strong ESG expertise including executives from corporations with a track record on sustainability or topic experts.		
4.3 Nominating committee considers ESG values alignment in director recruitment and nomination process.		
4.4 New director orientation process includes a review of the organization's ESG risks and opportunities, commitments and goals.		
4.5 ESG education is provided to directors as part of their ongoing development. Boards understand how sustainability issues affect the company's business environment and how societal and regulatory trends create opportunities and risks.		
4.6 ESG competency is included in the board evaluation / self-assessment process.		

5. External Disclosure:

The board regularly discloses information about the organization's ESG performance.

5.1 Board provides input into management's assessment of material ESG issues to include in the organization's external reporting and disclosures and generally provides guidance on the content.

5.2 Board reviews and approves the organization's disclosure of its ESG performance and impacts and ensures compliance with mandatory disclosure requirements.

5.3 Board confirms a process is in place to ensure ESG information is consistent, robust, accurate and complete across multiple formats, e.g. corporate websites, social media and voluntary reports and that provided in government filings, Annual Information Form, Management's Discussion and Analysis, financial statements and other disclosures.

5.4 Board ensures that management has implemented adequate and effective systems, internal controls, documented processes and audit trails to support the compilation and verification of key ESG performance metrics appropriate for reliably, completely and accurately tracking performance, setting targets, compensating, benchmarking and external reporting to capital markets and governments.

5.5 Annual or ESG Report includes an ESG message from the Chair; directors' report in the annual report includes ESG information. Frequency of meetings and key topics, decisions, actions and outcomes of board ESG committee is disclosed in annual / ESG Report.

5.6 Board chair joins the CEO in publicly endorsing ESG standards and voluntary initiatives.