

## Case Study



# Documenting Corporate Sustainability and ESG Governance for a Fortune 100 Company

## CHALLENGE

The board of directors of a Fortune 100 company wanted to better understand governance and controls around its Environmental, Social, and Governance (ESG) commitments. The company was recognized as an industry leader in many aspects of ESG, but the board was concerned that much of what was currently done on a voluntary basis could soon become mandatory and would face additional scrutiny. This sense was driven by pending SEC rulemaking on ESG disclosures, increased demand for ESG data from investors and creditors, and the company's own public commitments in areas such as decarbonization. The board tasked our client, the director of corporate sustainability, with "mapping" governance of ESG. This was not a straightforward task as ESG at the company—as in most organizations—was not a distinct function or organization but rather a set of topics the company had identified as material to its business and around which it had developed policies, programs, and processes to ensure effective performance.

## PROCESS

- Developed a set of high-priority focus areas identified through an annual materiality assessment
- Defined specific aspects of governance, including board oversight, executive ownership, existing policies and programs, performance metrics, performance assurance processes, and current disclosures
- Developed several key processes unifying all efforts through an ESG lens, including material focus areas, developing strategies around ESG focus areas, and reporting on performance to both internal and external audiences

## RESULTS

- Developed an analysis published in an ESG white paper presented to the head of corporate strategy, executive committee, and board of directors
- Identified current state governance, provided assurance that appropriate controls were in place, and highlighted certain gaps, overlapping responsibilities, and needless complexity to be addressed
- Determined that priority ESG focus areas were at different stages, creating variance of governance maturity
- Helped to better define the role of the corporate sustainability organization and communicate the need for clear processes across the organization

### Examples of Material ESG Focus Areas



**Board Composition and Structure**



**Climate Change Mitigation/Adaption**



**Compliance and Ethics**





**Diversity, Equity, and Inclusion**



**Habitat and Biodiversity**

# ESG Strategy Development Process

**ESG Strategy Development:** Recurring process to evaluate priority ESG focus areas, set strategic direction, identify gaps in performance, and inform efforts to build programs and initiatives to address:

<b>1</b> <b>Identify ESG Priorities</b>	<b>2</b> <b>Evaluate &amp; Set Strategic Direction</b>	<b>3</b> <b>Build/Update Supporting Programs &amp; Initiatives</b>	<b>4</b> <b>Embed into Business Planning</b>
<ul style="list-style-type: none"> <li>Identify ESG topics most material to stakeholders (typically identified from a materiality assessment)</li> </ul>	<ul style="list-style-type: none"> <li>Determine the impacts (real and/or potential) of material ESG topics on the business and key stakeholders</li> <li>Identify and evaluate the enterprise's existing approach and efforts toward material ESG topics</li> <li>Establish a clear strategic direction for each material topic and why—keeping in mind that effective strategies include specific performance aspirations</li> </ul>	<ul style="list-style-type: none"> <li>Update existing and/or develop new programs and initiatives focused on closing the gap between current state and desired performance</li> <li>Programs/initiatives should be “right-sized” to drive targeted and measurable improvements rather than a “boil the ocean” approach</li> <li>Routinely review performance, discuss lessons learned, and course correct (as needed)</li> </ul>	<ul style="list-style-type: none"> <li>Tie individual ESG programs/initiatives to enterprise-wide strategy into the annual business planning process</li> <li>Establish specific performance goals based on gap analyses or other means of performance measurement)</li> <li>Clearly define individuals responsible for driving performance improvements (both within their organization as well as across the enterprise)</li> <li>Allocate resources (financial and people) needed to achieve desired outcomes</li> </ul>
 <p><b>Examples of Client Focus Areas</b></p>	 <p><b>Climate Change Adaptation</b></p>	<ul style="list-style-type: none"> <li>Board Composition &amp; Structure</li> <li>Habitat &amp; Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Diversity, Equity, &amp; Inclusion</li> </ul>
<ul style="list-style-type: none"> <li>Climate Change Mitigation</li> <li>Philanthropy and Community Support</li> </ul>			

## Contact ScottMadden today!

Connect with ScottMadden to quickly assess where you stand today and develop a results-driven strategy for where you are going.