

Gartner for Legal & Compliance Leaders

Board Briefing for Building an ESG Program



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Notes accompany this presentation.

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Context for This Report

Goal of This Report

- Provide context and recommended actions to facilitate effective board discussions on developing an ESG program.

How to Use This Report

- Review the slides to gain critical context.
- Review the “Customization Notes” in the “notes” section of the slides to customize the slides for your organization.
- Use the slides to facilitate a discussion with your board and obtain buy-in for developing an ESG program.

Importance of ESG

Companies ignore stakeholders at their peril — companies that do not earn this trust will find it harder and harder to attract customers and talent, especially as young people increasingly expect companies to reflect their values.

Larry Fink

Source: Larry Fink's 2021 Letter to CEOs

Stakeholders Expect Companies Address ESG

Increasing Stakeholder Interest in ESG

Employees

74%

of employees and consumers expect companies take a public stance on societal issues, regardless of the issue's relevance to corporate objectives

n = 30,284 employees and members of the general public

Source: Gartner

Consumers

86%

of consumers believe companies should address ESG issues

Source: 2018 Gartner Optimizing Communications for Changing Stakeholder Expectations Survey

Investors

2x

increase in investment in ESG funds in 2020

Source: [Money Invested in ESG Funds More Than Doubles in a Year](#), CNBC.

ESG Positively Impacts Financial Performance

Financial Benefits of Pursuing ESG

Access to Capital



\$20 trillion in AUM sits in ESG-aligned funds globally.

Cost of Capital



Higher ESG scores correlate to lower costs of capital — **6.16%** compared to **6.55%** for lowest ESG scores.

Stock Performance



In 2020, **75%** of ESG funds outperformed their benchmarks.

Cost Savings



ESG execution can reduce operating costs by up to **60%**.

Source: [ESG Assets May Hit \\$53 Trillion by 2025, a Third of Global AUM](#), Bloomberg; [ESG and the Cost of Capital](#), MSCI; [ESG Index Funds Are Outperforming \(Mostly\)](#), Institutional Investor; [Five Ways That ESG Creates Value](#), McKinsey

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Owning Our ESG Narrative Requires Immediate Action

New laws, regulations and supply chain pressures are focused on corporate disclosures, financial pricing, emissions and other environmental impacts. Corporate expectations will move from discretionary disclosures and marketing toward mandated compliance and demonstrable measurements.

New Regulations

U.S. | JOURNAL REPORTS

Companies Brace Themselves for New ESG Regulations Under Biden

Businesses and trade groups are hoping to get clarity about—and influence—expected rules on environmental, social and governance issues

Legal Oversight

Shell: Netherlands court orders oil giant to cut emissions

🕒 26 May

Supply Chain Pressure

Ford and Origin Partner to Improve Auto Supply Chain with PET Plastic Made from Wood

JUNE 11, 2021 BY JENNIFER NASTU

Source: [Companies Brace Themselves for New ESG Regulations Under Biden](#), The Wall Street Journal; [Shell: Netherlands Court Orders Oil Giant to Cut Emissions](#), BBC; [Ford and Origin Partner to Improve Auto Supply Chain with PET Plastic Made From Wood](#), Environment + Energy Leader

Why It Matters to “Organization Name”

Examples of Stakeholder Interest in ESG

Customization Notes: Add examples of ESG-related pressure you’ve received from various stakeholder groups such as customers, investors, industry peers and employees to the table.

Stakeholder Group	Proof of ESG Importance
Customers	• Increase in social media posts about our failure to create more sustainable products.
Investors	
Industry Peers	
Employees	
Insert Stakeholder Group	
Insert Stakeholder Group	
Insert Stakeholder Group	

Source: Gartner

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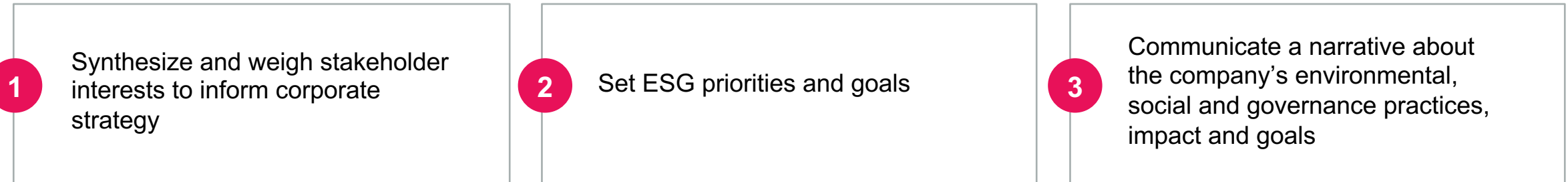
What Is ESG?

What Is ESG?

Definition of ESG

ESG: The process for setting, managing and reporting on an organization's governance mechanisms, environmental and social impacts and related policies, that allows the board and company leadership to consider perspectives from relevant stakeholders and provide stakeholders with the appropriate information.

An ESG program helps organizations ...



Source: Gartner

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ESG Includes Issues Material to the Company and Stakeholders

Example of Issues Included in ESG

Governance Issues

Examples:

- Board composition
- Separation of powers
- Share-class structure
- Shareholder relations
- Business ethics and integrity
- Government relations
- Responsible advocacy and public policy
- Director independence
- Executive compensation



Environmental Issues

Examples:

- Carbon emissions
- Water usage
- Clean air
- Waste disposal
- Renewable energy
- Recycling
- Land use
- Green products
- Disaster management
- Habitat and biodiversity

Social Issues

Examples:

- Diversity, equity and inclusion (DEI)
- Women's empowerment
- Fair pay
- Workplace safety
- Employee well-being
- Consumer safety
- Responsible marketing
- Responsible innovation
- Economic development
- Data protection and privacy

Source: Gartner

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Organizing Existing Efforts

Current Efforts Compared to Proposed ESG Program

Customization Notes: Customize this page as needed to reflect ESG-related activities your organization is already pursuing. To do so, meet with functional leaders and identify ESG-related activities they are involved in or have purview over.

Current ESG Efforts	
Activity	Owner
Overseeing DEI Efforts	HR
Overseeing Government Affairs	GC
Managing Investor Relations	Head of Investor Relations
Insert Activity	Insert Owner
Insert Activity	Insert Owner



Proposed ESG Program	
Activity	Owner
Overseeing DEI Efforts	ESG Executive Committee
Overseeing Government Affairs	ESG Executive Committee
Managing Investor Relations	ESG Executive Committee
Insert Activity	Insert Owner
Insert Activity	Insert Owner

ESG activities are disparate and managed by multiple functions, leading to gaps and redundancies in coverage.

ESG activities are streamlined, managed by a central ESG committee and task force.

Source: Gartner
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Proposal for Building an ESG Program

Our ESG Program Proposal and Support Needed

Our Proposal:

Create a dedicated ESG program, including an ESG executive team and task force, to manage our organization’s ESG strategy and track progress against ESG goals.

Customization Notes: Customize this page as needed to reflect your ESG program proposal and resources needed from the board to support ESG.

Our Asks of You

Support

Consistent support for prioritization of ESG program development and trade-offs

Oversight

- Ensure adequate oversight of the ESG program
- Consider the appropriate governance for the ESG program (e.g., developing an ESG board committee, triaging ESG oversight to existing committee)

Resources

Ensure appropriate funding and staffing for ESG initiatives

Source: Gartner
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