HR POLICY ASSOCIATION CENTER ON EXECUTIVE COMPENSATION

New Approaches to ESG Governance: A CHRO's Guide

Executive Summary

An expanding number of stakeholders, including investors, regulators, and special interest groups, are putting pressure on business to infuse company management and stakeholder communications with ESG principles such as diversity, equity, and sustainability. But meanwhile, there is an increasing chorus of stakeholders who are putting pressure on businesses to roll back their ESG-related initiatives, believing firms have overreacted to these concerns.

To assist CHROs and their companies in navigating these complicated waters, the Center On Executive Compensation conducted a study on how boards oversee ESG issues and how management supports the board's ESG governance.

Based on interviews with directors, governance experts, investors and CHROs, this guide provides a selection of approaches to both board and management governance of ESG. Useful to new and experienced CHROs alike, here you'll find best practices for how to manage and oversee ESG concerns as effectively as possible – without over-engineering the process.

Your Playbook to an Effective ESG Board Committee Approach

Our guide breaks down the process to 5 easy steps:

1 Determine which ESG topics are important to your business strategy and incorporate them in the business planning process

2 Determine what topics will stay with the full board versus delegated to committees

3 Determine committee approach

Option 1: Designate an existing committee as the main oversight committee for ESG

Option 2: Leverage multiple board committees to provide oversight of the relevant aspects of ESG that would naturally fall within the scope of each committee

Option 3: Establish a separate board committee dedicated to oversight of ESG-related matters

4 Determine management's approach to support selected committee structure

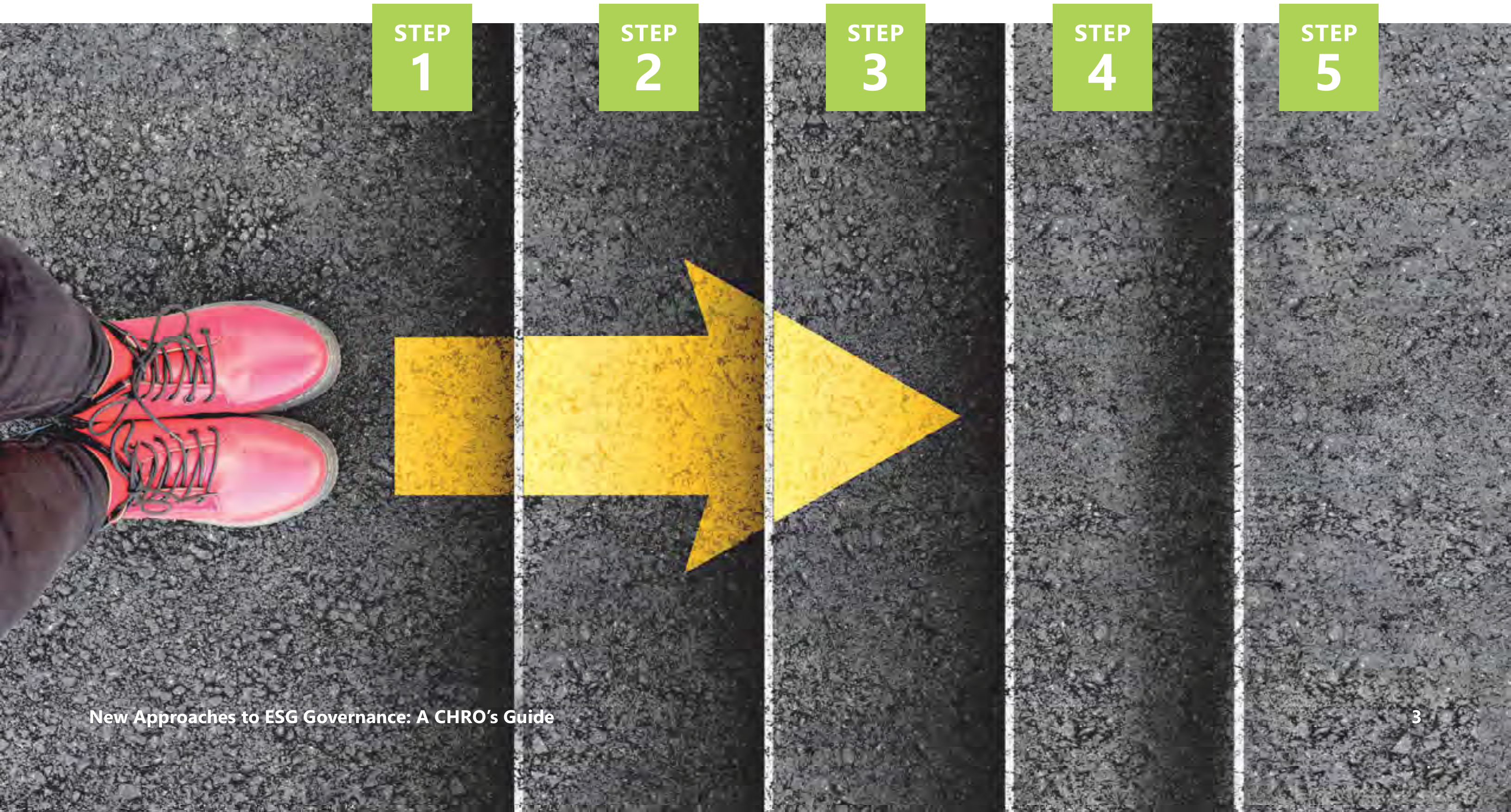
Three common approaches include:

Option 1: Primary executive that staffs the committee also provides support on that committee's areas of ESG

Option 2: Cross-functional management committee comprised of functional leaders in support of board committees and the full board

Option 3: A designated leader with primary responsibility for coordinating and leading ESG efforts

5 Determine gaps: new director and C-suite skills



Corporate Governance: What It Is, How It's Changed

The fundamental structure of corporate governance for public companies is based on the listing standards of the two major US stock exchanges, the New York Stock Exchange (NYSE)[1] and the NASDAQ,[2] under the regulatory oversight of the Securities and Exchange Commission (SEC).

The SEC has a three-part mission: to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.[3]

The **board of directors** operates through delegated authority to **board committees.** Both the NYSE and NASDAQ require that listed companies maintain **three key board committees** to provide oversight of management in fulfillment of the board's fiduciary duty to shareholders:

- Audit
- Nominating & Governance
- Compensation

Some companies have voluntarily adopted additional committees in addition to those required by the listing exchanges.

The traditional focus of corporate governance was maximizing the interests of shareholders, as measured by financial results and stock price. However, there has been a significant shift in investor and public expectations regarding the role business plays in advancing social and environmental objectives.

- **Larry Fink, CEO of mega-investor BlackRock,** wrote in his 2019 letter to CEOs that *"Unnerved by fundamental economic changes and the failure of government to provide lasting solutions, society is increasingly looking to companies, both public and private, to address pressing social and economic issues. These issues range from protecting the environment to retirement to gender and racial inequality, among others."*[4]

- **The Business Roundtable's** 2019 Statement on the Purpose of a Corporation, signed by 181 CEOs of major corporations, identified five key stakeholders that corporations should seek to serve: customers, employees, suppliers, communities, and lastly, shareholders.[5]

- **The Black Lives Matter movement** and ensuing protests of 2020 accelerated public company commitment to diversity, equity, and inclusion.

In response to this shift in focus, boards took action.

1. Broadening Committee Scope. A Center study found two thirds of large companies have formally expanded the role of the compensation committee by either expanding the charter (35%) or the name and charter (32%). Nearly all (95%) of these companies cover human capital management and talent strategy while 80% also cover DEI.

2. Proliferation of Non-Financial Metrics. Almost three-quarters of the S&P 500 use ESG metrics in executive pay plans, with diversity, equity, and inclusion as the single most prevalent social metric.[6]

3. Expanded Disclosures. The SEC has promised to issue highly prescriptive rules requiring detailed human capital management disclosures in the annual 10-K report, which is typically overseen by Audit. This will likely lead to cross collaboration between Audit and Compensation Committees to ensure accurate filings.[7] The same could be said of new SEC rules on climate disclosures, especially where climate metrics are included in executive pay plans.[8]

1. https://nyseguide.srorules.com/search?searchId=2129702975&searchType=rules,listed-company-manual&v=false&page=1
2. https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-5600-series
3. https://www.sec.gov/about
4. Purpose & Profit (harvard.edu)
5. Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans' https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans
6. Semler Brossy, ESG + Incentives 2023 Report, https://semlerbrossy.com/wp-content/uploads/2023/08/ESG-Report-Issue-1__2023-08-14.pdf
7. https://www.sec.gov/files/20230914-draft-recommendation-regarding-hcm.pdf
8. SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors, https://www.sec.gov/news/press-release/2022-46

What is the Best Governance Model for You?

According to the experts we interviewed, the most effective ESG governance model for your company depends on your *business strategy,* influenced by industry, risk profile, regulatory influences, external stakeholder expectations and maturity around a particular ESG topic.

While companies may care deeply about a number of ESG issues, they must decide what is most important to sustaining value long-term and where they can make a valuable impact for their business, their people and the planet.

For Example

A BIG FOCUS ON "E"

ExxonMobil

Environmental, Safety and Public Policy Committee

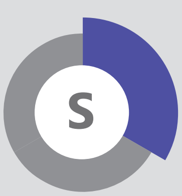
Charter: Oversees "safety, health, environmental performance, including actions taken to address climate-related risks, and security matters"

A BIG FOCUS ON "G"

JPMorganChase

Risk Committee

Charter: Oversees "strategic, credit and investment, market, and operational risks... approval of applicable primary risk policies and review of certain associated frameworks, analysis and reporting established by management"

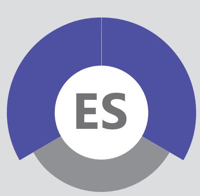


A BIG FOCUS ON "S"

Alphabet

Leadership Development, Inclusion and Compensation Committee

Charter: Oversees "human capital management, including with respect to diversity and inclusion, its workplace environment and safety, and its corporate culture"



A BALANCED FOCUS ON "E AND S"

PEPSICO

Sustainability, Diversity, and Public Policy Committee

Charter: Oversees sustainability and social initiatives like "regenerative agriculture, water stewardship, sustainable packaging, products, climate change, and people, to help build a more sustainable food system."

Key Principles

You will see the following four key principles incorporated into the findings and suggestions below. These are the principles followed by leading companies who have "solved the equation" of effective ESG governance for both the board and management.

Don't try to cover the waterfront of all ESG topics – protect your ability to impact the areas that matter most.

- Integrate ESG issues into the business strategies, rather than treating them as standalone issues to discuss in isolation.
- Use scorecards or key performance indicators to monitor performance on issues important to you.
- Ensure accountability for individual C-suite executives and specific Committee Chairs – make it very clear who is accountable for each letter of ESG.
- Leverage management's strong operational knowledge in ESG oversight.

"ESG is a big part of our employee value proposition. Our Board actively oversees our progress towards goals and our governance structure is embedded throughout the organization. It is so much more than a shiny annual report."

STEP 1

Determine which ESG topics are important to your business strategy and incorporate them in the business planning process

Given the number of topics and issues included under the general heading of ESG or sustainability, the most important thing to do first is determine which issues are important to your business strategy. For example, the significance of issues such as greenhouse gas emissions will vary across industries and the production or supply chain for specific companies.

A strategy-based framework is helpful for assessing the level of importance and determining the priority of ESG issues that may be advocated for by investors and other stakeholders.

Many boards are examining their ESG strategies from both a risk mitigation and value creation perspective.

- 41% are adopting an approach to ESG that encompasses a balanced strategy between the two[9]
- 46% of boards want more insight around identifying sustainability opportunities[9]
- 42% want increased clarity around how ESG goals connect to their business strategy[9]

Topics commonly addressed in a company's ESG strategy include:

ENVIRONMENTAL **How we protect the planet to create a sustainable future**	SOCIAL **How we impact people including employees, customers, shareholders and the communities in which we operate.**	GOVERNANCE **How we foster a culture of accountability that operates lawfully, ethically and reliably.**
• Renewable energy • GHG emissions • Supply chain • Packaging • Water	• Diversity, Equity & Inclusion • Employee engagement • Employee wellbeing • Human rights • Turnover • Talent development	• Risk mitigation • Transparency • Data privacy • Ethics and integrity

9. Source: Spencer Stuart June 2024 Sustainability in the Spotlight: The Balance of E.

STEP 2

Determine what topics will stay with the full board versus delegated to committees

For each area of ESG, it is important to establish which topics will be discussed with the full board and which will be delegated to a committee. Typically, the Chair/Lead Director will discuss with the CEO what topics should remain with the full board. Once they are in agreement, the decisions are reviewed with the Nominating and Governance committee.

Best practice:

Use a scorecard for performance and agreed-upon key performance indicators (KPIs) to review progress with the full board. Ensure the designated management lead(s) can effectively speak to the scorecard and is comfortable answering board questions for each area (i.e., CHRO talks about social issues, CFO discusses environmental initiatives).

Emerging practice:

Several directors told us that ESG topics should be discussed at multiple board meetings rather than just annually, to ensure they are fully integrated into the business strategy. Discussing these issues once annually may lead to them feeling "siloed" or poorly integrated with overall strategy.

- 32% of companies report progress of sustainability goals to the board twice a year[10]
- 21% report annually[10]
- 39% at every meeting or nearly every meeting[10]

See the Center guide to the expanded Compensation Committee for innovative approaches to reporting back to the full board on topics such as diversity and succession planning.

Clear accountability:

A large institutional investor noted, "We are agnostic to where ESG should sit within the committees. That is a board decision. Our concern is that it is not siloed. The board should not be a patchwork of skills. These topics should be considered from the same perspective as every other board item."

"The full board should talk about the ESG strategy, the evolving landscape, and the geopolitical landscape... and build it into the business strategy."

10. Source: Spencer Stuart June 2024 Sustainability in the Spotlight: The Balance of E.

STEP 3

Determine committee approach

Once the key topics have been identified, the next priority is to establish an overall committee structure that will give the proper oversight while ensuring clear accountabilities.

Oversight structures continue to develop.

- 62% of companies reported their ESG oversight structure is unchanged from 2023[11]
- Nearly one-third reported changes from the prior year[11]
- 58% said ESG has been assigned a larger role in board and committee meetings[11]
- 29% reported a new board committee or subcommittee to increase oversight[11]

Our study identified three equally effective committee approaches.

Option 1: Designate an existing committee as the main oversight committee for ESG

Option 2: Leverage multiple board committees to provide oversight of the relevant aspects of ESG that would naturally fall within the scope of each committee

Option 3: Establish a separate board committee dedicated to oversight of ESG-related matters

Don't assume all investors feel the same way – talk to your major stakeholders about how your board ensures accountability.

One investor we spoke with expressed the opinion that "ESG responsibility should rest with one committee to establish clear accountability and it is the role of that committee to integrate overlapping responsibilities that rest in other committees."

On the other hand, another investor noted they were suspicious of the trend for companies to establish a standalone sustainability committee, feeling they were "window dressing."

11. Source: Spencer Stuart June 2024 Sustainability in the Spotlight: The Balance of E.

STEP 3

SURVEY SAYS

34%

About a third of Center members delegate ESG governance to the nominating and governance committee.

OPTION 1

Designate an existing committee as the main oversight committee for ESG

A leading corporate governance expert expressed the view that the nominating and governance committee should own ESG because ESG is "fundamentally a governance issue," and because the nominating and governance committee is responsible for ensuring the board has the right mix of director skills and experience.

One board director expressed the view that the compensation committee is well positioned for ESG oversight because the topics reinforce a company's culture and are often times tied to reward programs–expressly or not. Plus, a CHRO is uniquely qualified to serve as a steward of their organization's culture.

"ESG is fundamentally tied to the principles of good governance. The Nominating & Governance Committee is already tasked with overseeing governance policies and practices, making it well-positioned to integrate ESG considerations into the broader governance framework of the organization."

Advantages:

- This approach has clear accountability with a subset of directors who are generally well-versed on the topics.
- The nominating and governance committee has a broad remit within the board that enables it to cover all aspects of ESG. This could be a good option for a company that is early in the process of formalizing their ESG governance structure because it typically includes committee chairs along with the lead director, CEO and General Counsel.

Best practice:

When a company has a lead management executive designated for ESG, this person should regularly attend meetings.

STEP 3

SURVEY SAYS

44%

of Center members oversee the different components for ESG across the three committees: nominating and governance, compensation and audit.

OPTION 2

Leverage multiple board committees to provide oversight of the relevant aspects of ESG that would naturally fall within the scope of each committee

With this approach, the role of the committee chairs is critical, particularly with inter-related issues that overlap across the committees. As one CHRO stated, "The committee chair helps decide what gets elevated so committees can stay focused within their own scope."

One investor noted they "believe ESG responsibilities should be included in one particular charter. If the division of oversight is integrated across the committees, each committee chair must play a key role in ensuring that topics are coordinated effectively."

Advantages:

- This approach reflects diversity of topics on ESG and leverages insights of board members in discussion with management.
- It is a helpful way to signal to stakeholders that the company already has an effective governance structure focused on addressing such issues.

Best practice:

For ESG-related issues that span overlapping committee responsibilities, it may be helpful to ensure the committees have shared members to coordinate the approaches taken. Additionally, a high level of collaboration is required among the lead management executives that support each committee, particularly when a topic has cross-committee implications.

STEP
3

OPTION 3

Establish a separate board committee dedicated to oversight of ESG-related matters

SURVEY SAYS

17%

of Center members have established a new board committee dedicated to ESG.

Some companies, particularly those with significant environmental initiatives, have created a separate board committee focused exclusively on their ESG priorities. These companies have found this structure to be the most beneficial for facilitating communication and coordination across other committees and with the full board.

Based on the variety of ESG-related issues that warrant committee oversight, it is prudent to ensure that at least one member of each other committee is represented on the ESG committee.

Key Takeaway: No one governance model is right for every company. Factors such as company history, strategic importance of selected sustainability issues, and the views of major investors and company stakeholders should be factored into determining the best approach.

Advantages:

- A designated committee signals a clear message of the significance of ESG priorities within the organization and creates a direct passage for new issues that arise to determine where they should reside.
- However, one Lead Director suggested they would not start with a permanent, new committee. "First see if the topics that are important to you fit within an existing committee before you create a brand new one."

Best practice:

If a permanent ESG committee is not desired, consider forming an *ad hoc* committee comprised of key directors and/or management as new and emerging ESG-related issues develop.

STEP 4

Determine management's approach to support selected committee structure

There are a variety of management functions supporting the board and board committees and the overlap of issues across the committees requires coordination, collaboration, and communication.

During our interviews we found three management approaches that companies have adopted for supporting board and committee work on ESG-related matters.

Option 1: Primary executive that staffs the committee also provides support on that committee's areas of ESG

Option 2: Cross-functional management committee comprised of functional leaders in support of board committees and the full board

Option 3: A designated leader with primary responsibility for coordinating and leading ESG efforts

STEP 4

SURVEY SAYS

57%

of Center members have a single management leader with primary ESG responsibilities.

OPTION 1

Primary executive that staffs the committee also provides support on that committee's areas of ESG

In this model, the CHRO supports the compensation committee (and full board) on human capital management, diversity, and other employee-related matters. Similarly, the CFO is the key support person for the audit committee and board on climate-related risks and the General Counsel provides support to the nominating and governance committee and board on governance issues.

Advantages:

- The executive who staffs the committee likely has the deepest expertise on the ESG topic. This approach provides continuity between the committee chair and executive on discussing strategies to address the critical issues.

Watch outs:

- Given the potential for overlapping issues on ESG topics, this approach requires collaboration among the executives and committee chairs.

Emerging practice:

Several companies noted that in this model, executives should supplement expertise on ESG topics by including key staff and external resources at the committee meetings.

STEP 4

SURVEY SAYS

44%

of Center members have established a cross-functional management committee to support the board on ESG issues.

OPTION 2

Cross-functional management committee comprised of functional leaders in support of board committees and the full board

Typically, this kind of committee is comprised of senior functional leaders (CHRO, CFO, General Counsel, Head of Operations, Supply Chain, Investor Relations, Business Presidents, etc.) who meet on a periodic basis to discuss ESG-related topics and coordinate information and resources in support of board committees and the full board.

One investor indicated that "a cross functional management team makes sense. You need to have an expert in management who can teach the board or have a third party bring in the acumen so boards can ask the right questions."

Advantages:

- Provides a forum for assessing and prioritizing the importance to the business, employees and other stakeholders of the numerous issues that fall under the umbrella of ESG.

Watch outs:

- As one CHRO noted, "Don't be so collaborative that you lose accountability. Operate as a team– with individual accountability."

Emerging practice:

A leading technology company stood up a Steering Committee comprised of the CHRO, General Counsel and Chief Financial Officer and created a Vice President of ESG Integration, who reports to the CHRO and is responsible for bringing the internal stakeholders together to address areas of ESG on which the company is focused. The team meets quarterly to discuss progress against goals and determine appropriate Committee updates.

Our interviews found frequent use of **working groups** below the management committee level to provide functional support to senior leadership.

STEP 4

SURVEY SAYS

28%

of Center members have a dedicated Head of ESG

14%

give this responsibility to the Corporate Secretary or Chief Legal Officer

6%

assign it to the CFO.

OPTION 3

A designated leader with primary responsibility for coordinating and leading ESG efforts

The designation of a lead executive for ESG is often influenced by the aspects of ESG that are important to business strategy, the experience of the executive, and the relationships among the senior management team and staff support.

For companies designating a lead executive for ESG matters, there was wide variation in as to which functional leader was the point person for ESG.

Advantages:

- Some boards prefer the continuity of receiving updates from a single point person who can speak to a variety of topics, particularly in sharing performance updates via a scorecard.

Watch outs:

- Think carefully about the level of the top ESG executive. If this role reports to the executive responsible for each letter, it could hinder the success of driving the overall strategy. The ability of the point person to lead the management team and drive accountability for their specific ESG focus areas is critical.
- As one investor put it, “each named executive officer should have some form of ESG responsibility… designating one executive as a chief sustainability officer may not be realistic given the range of ESG issues companies face.”

Emerging practice:

A consumer products company appointed a business leader with deep operational expertise who has knowledge of the full supply chain to provide an enterprise-wide and multi-stakeholder perspective to the ESG topic.

STEP 5

Determine gaps: new director and C-suite skills

Once the key strategy-focused ESG-related issues have been identified and agreed upon, there should be an assessment of the current approach to governance of these issues and a determination as to the effectiveness of current board or committee oversight and an assessment of potential changes that may be needed.

39% of public companies globally are installing monitoring solutions for ESG oversight.[12]

Here is a structured approach recommended by interviewees to ensure that the board is well-equipped with the right mix of skills and experiences to effectively oversee and guide the company.

1. Conduct a skills and experience inventory with a detailed skills matrix covering the identified ESG issues.

2. Compare the board's composition with industry standards and the practices of peer companies to identify missing skills.

3. Consider feedback from shareholders about critical ESG areas where there may be a skills gap.

4. Based on the gap analysis, develop a targeted recruitment strategy to bring those skills in from the inside. In addition, several interviewees suggested the company provide ongoing educational opportunities for current board members to develop new skills and help close the gap.

5. Remember to look at emerging trends and potential future challenges in the industry. Skills related to emerging technologies, regulatory changes, and global markets may become increasingly important.

12. Source: Spencer Stuart June 2024 Sustainability in the Spotlight: The Balance of E.

The Future of ESG – Staying the Course

Collectively, each of the CHROs, directors, governance experts and investors we spoke with expressed strong commitments to the aspect of ESG for the foreseeable future. Whether it is branded by the "three letters" or called sustainability, the principles that drive these commitments are deeply embedded in a company's culture and business strategies and the emphasis will be different for every company.

AS ONE DIRECTOR STATED

"Wherever you are on your journey–whether you are focused on something you want to protect or something aspirational, companies will continue to set forth goals to be good stewards and do what is right. Employees and customers expect it and it keeps companies on their heels."

Individuals Interviewed

LEAD DIRECTORS

Richard K. Davis
Chairman & CEO, *US Bancorp*

Robert Eckert
Chairman Emeritus, *Mattel, Inc.*
Lead Independent Director, *Amgen*
Director, *Levi Strauss & Uber Technologies*

Richard Lenny
Chairman, *Conagra Brands*

Patricia Russo
Chair, *Hewlett Packard Enterprise*

GOVERNANCE EXPERTS

Robert Apatoff
Executive Director, *Kellogg Executive Leadership Institute (KELI)*
Clinical Professor, *Northwestern JL Kellogg School of Management*

Charles Elson
Founding Director, *Weinberg Center for Corporate Governance at the University of Delaware*

Colleen Honigsberg
Professor of Law, *Stanford University*
Co-Director, *Arthur and Toni Rembe Rock Center for Corporate Governance*

CHROs

Anita Graham
Executive Vice President & Chief Human Resources Officer, *LabCorp*

Nickle LaMoreaux
Senior Vice President & Chief Human Resources Officer, *IBM*

Michelle O'Hara
Executive Vice President & Chief Human Resources Officer, *SAIC*

Timothy Richmond
Executive Vice President & Chief Human Resources Officer, *Abbvie*

Ellyn Shook
Chief Leadership & Human Resources Officer, *Accenture*

INVESTORS (2)

Appendix: This appendix includes examples of ESG accountability structures that highlight the differing approaches companies take to effectively govern ESG within their business. It also includes a sample management council charter and performance scorecard used by committees to monitor performance of ESG objectives.

Sample ESG Governance Structures

ECOLAB

BOARD OVERSIGHT

Our Board has oversight of these efforts primarily through the Safety, Health and Environment ("SH&E") Committee, which (as stated in the SH&E Committee Charter) is responsible for reviewing and overseeing our sustainability policies, programs, and practices that affect, or could affect, our employees, customers, stockholders, and neighboring communities.

The SH&E Committee's work is informed by our Corporate Sustainability Team, which monitors the risks and opportunities related to climate change, as well as our overall sustainability performance by collaborating with the global SH&E, supply chain, regulatory, and corporate risk departments. The SH&E Committee receives regular updates on the implementation of and progress against sustainability and climate-related goals and activities from the Senior Vice President and Chief Sustainability Officer who leads the Corporate Sustainability team, and other members of management.

For example, the SH&E Committee's sustainability reviews include: overall climate-related risks and progress towards the UN Global Compact Business Ambition for 1.5°C, and actions to implement the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") (or similar bodies), including whether the Company has set GHG emissions targets in line with the Business Ambition for 1.5°C and to achieve net-zero emissions before 2050.

The Board receives an annual presentation from the SH&E Committee on our progress against our sustainability goals, and implementation of projects and related activities, which includes management of water and climate-related issues, as appropriate. The SH&E Committee discusses these matters with the Board, which contributes to the Board's oversight of sustainability and climate-related issues. In 2023, the SH&E Committee received updates on Ecolab's climate-related risk and opportunity assessment, undertaken in alignment with best practices of the TCFD, the results of which are currently being used to develop adaptation and mitigation plans for relevant climate change risks. Other committees of the Board, such as the Audit Committee, Governance Committee and the Compensation & Human Capital Management Committee follow a similar process for the sustainability and social responsibility topics over which they exercise oversight.

Environmental, social and governance practices

Sustainability at Mastercard is driven from the top by our Board of Directors and CEO and is embedded at every level of our organization.

Board of Directors

The Board oversees our ESG strategy as well as discrete sustainability matters like cybersecurity and talent management.

Nominating and Corporate Governance Committee

Oversees significant ESG activities, policies and programs, including:

- Corporate responsibility
- Environmental stewardship
- Human rights
- Public policy activities

Audit Committee

Oversees financial and operational risk exposures and compliance with legal and regulatory requirements and disclosures, including:

- Tax practices
- Compliance with Code of Conduct

Risk Committee

In coordination with Audit Committee, oversees risk assessment and risk management, including:

- Enterprise risk management
- Privacy, data responsibility and information security

Human Resources and Compensation Committee

Reviews people and culture strategy, including:

- Diversity, equity and inclusion initiatives
- Compensation and benefits frameworks
- Human resources policies and practices, including those related to organizational effectiveness and employee development programs

Management

Under the Board's oversight, the Management Committee implements the company's strategic direction including on sustainability matters. The Management Committee consists of our Executive Leadership Team and additional members of management. Members of our management team report regularly to the Board and its relevant committees on ESG matters. Our senior management works together to assess and manage our sustainability efforts across the organization.

The ESG Executive Steering Committee, made up of leaders from each of our business units and managed by the Chief Sustainability Officer, meets approximately quarterly to review performance, provide strategic direction and support company-wide alignment on key ESG matters.

The Chief Sustainability Officer is tasked with developing sustainability goals in coordination with the business units and working with them to leverage sustainability as an enterprise-wide driver of growth. The Chief Sustainability Officer reports to the President of the Mastercard Center for Inclusive Growth & Executive Vice President of Sustainability, who is on the Management Committee. The President of the Mastercard Center for Inclusive Growth & Executive Vice President of Sustainability reports to the Vice Chair and President of Strategic Growth, who is on the Management Committee and reports directly to the CEO.

Appendix

accenture

Board of Directors

At Accenture, responsibility for ESG matters starts at the top, with our Board actively overseeing our ESG strategies and progress in meeting our ESG-related commitments, and cascades throughout the business.

Nominating, Governance & Sustainability Committee

- The Nominating, Governance & Sustainability Committee is responsible for overseeing our overall ESG performance, disclosure, strategies, goals and objectives and monitoring evolving ESG risks.
- In carrying out its responsibilities, the Nominating, Governance & Sustainability Committee receives periodic reports throughout the year from management on key ESG matters, including the sustainability services we provide to clients, our actions around being a responsible company and citizen, our progress in meeting our ESG-related commitments and our integrated reporting, which demonstrates our commitment to transparency and accountability of our goals and progress.

Compensation, Culture & People Committee

- The Compensation, Culture & People Committee is responsible for overseeing our strategies related to our people, including matters such as pay equity, inclusion and diversity, leadership succession and culture.

Audit Committee

- The Audit Committee oversees our approach to the quality of ESG-related data and controls.

Global Management Committee

- Our global management committee sponsors our responsible company strategies. These senior leaders, spanning multiple corporate functions, industries, services and geographies, engage on these topics and are responsible for implementing strategies, goals and policies.
- Together, they make strategic recommendations and decisions on our ESG initiatives, including sponsorship of our non-financial goals.

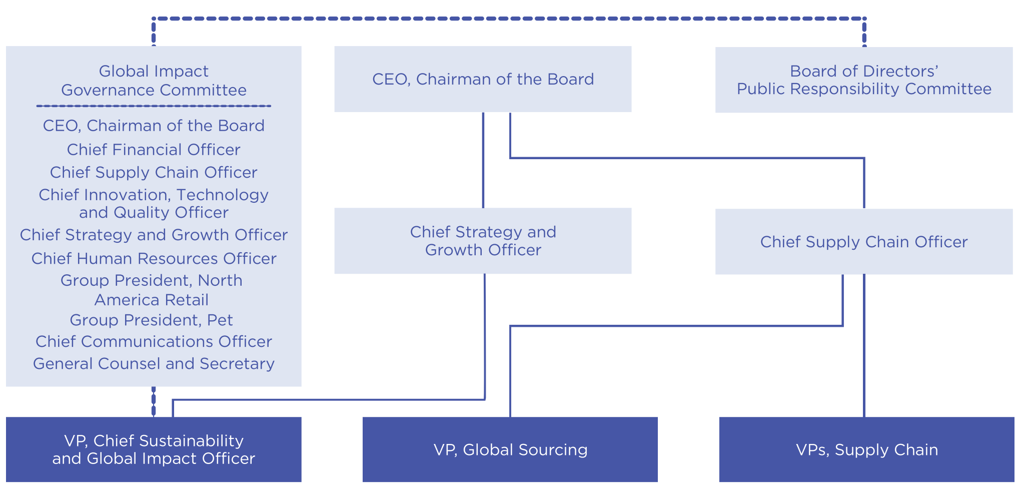
ESG Executive Committee

- Our ESG executive committee, made up of a subset of the global management committee, is accountable for approving strategic global decisions aligned with Accenture's corporate sustainability commitments.
- Our ESG executive committee and steering committee (which is comprised of leaders across the Company) meet regularly to monitor our sustainability performance, identify improvement areas and elevate matters to the Board as appropriate through the global management committee.

General Mills

Global Impact Team

The company's global impact team is led by our Chief Sustainability and Global Impact Officer who stewards the company's sustainability, environmental, climate and regeneration work. The Chief Sustainability and Global Impact Officer reports to the Chief Strategy and Growth Officer and works closely with the Chief Supply Chain Officer and other key business leaders to develop, coordinate and execute programs to achieve company-wide sustainability targets.



Appendix

ASSURANT

The Company's ESG Oversight and Action Committee, comprised of select Management Committee members and senior management across key functional areas provides oversight of the Company's business-aligned sustainability strategy for long-term value creation; establishes the Company's ESG policy; approves the Company's sustainability initiatives internally and recommends ESG strategy for Board approval; and supports the integration of the Company's sustainability strategy throughout the organization.

SUSTAINABILITY AND ESG OVERSIGHT

Board

Directly oversees sustainability matters relating to the Company's strategy and related initiatives

Nominating and Corporate Governance Committee	Compensation and Talent Committee	Audit Committee	Finance and Risk Committee
Delegated by the Board with ultimate responsibility for how the Company manages sustainability	Oversees culture and talent management strategies, including the Company's efforts and commitment to diversity, equity and inclusion	Oversees climate-related risks relating to financial statements, internal control over financial reporting disclosures, SEC disclosures and compliance with the Code of Ethics	Oversees integration of ESG factors into Company's investment strategy as well as climate-related risk management activities, including risks relating to catastrophe reinsurance

ESG Oversight and Action Committee

Comprised of select Management Committee members and senior management across key functional areas and the business

Provide relevant ESG oversight required to identify, develop and set business-aligned ESG strategy

Recommend and approve enterprise ESG initiatives

Support the integration of enterprise-wide ESG strategy

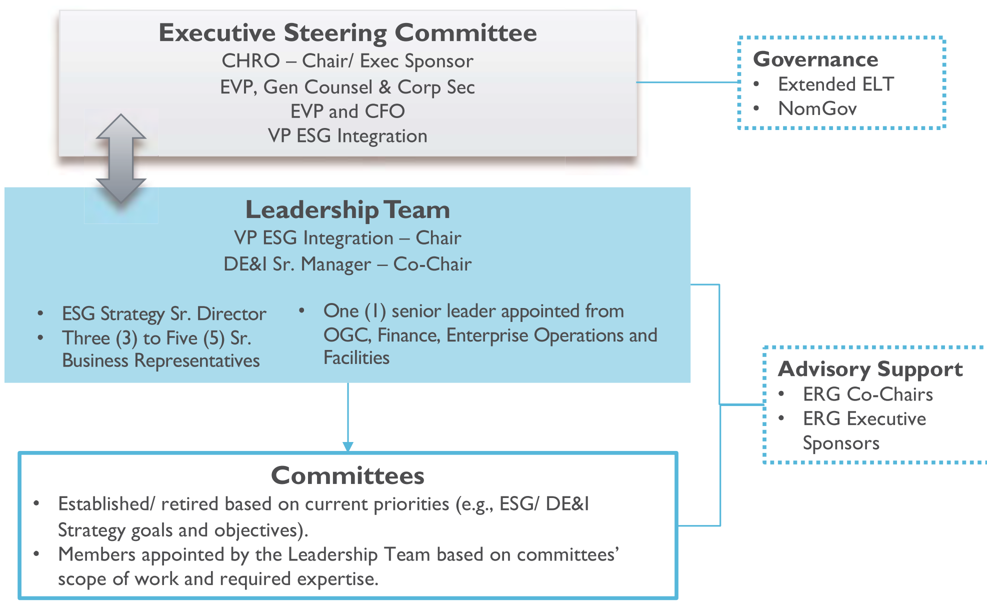
Day-to-day Implementation

Overall ESG strategic direction set by President and CEO, together with Chief Operating Officer and SVP, Global Communications and Sustainability

Key aspects of ESG are managed by leaders in sustainability, investor relations, risk management, strategy, facilities, legal, ethics & compliance, internal audit, information security, global sourcing & facilities, procurement (supply chain), accounting, actuarial, customer experience, DE&I and people organization (talent)

SAIC

ESG Integration Council



Appendix

SAMPLE CHARTER OF XYZ Corporation's Environmental, Social and Governance Management Council

Our Commitment

Today, we're focusing on tomorrow. Whether that involves architecting what's next for our customers, reinventing the future of work for our employees or improving the communities and world around us, we are committed to a better tomorrow. Corporate responsibility is an integral part of that commitment and drives our actions. XYZ is increasing its focus on environmental, social and governance (ESG) imperatives as a way to build business value, address changing compliance requirements and align internal and external Corporate Responsibility initiatives. It is our responsibility to better our business, better our customers' and employees' lives, and better the communities we live and operate in.

Throughout this charter, we use the term Corporate Responsibility as an all-inclusive term intended to reflect the company's ESG, DE&I, corporate social responsibility and sustainability efforts as these are interconnected topics and may not be best served by a narrower categorization.

Our Corporate Responsibility strategy focuses on three areas we believe are paramount to being a responsible corporation.

We are building on our Corporate Responsibility commitment and setting bold goals. We will strengthen our sustainability and will continue to measure these efforts as we explore and deliver customer and employee solutions and services.

ESG Council Objectives

XYZ's Executive Leadership Team (ELT) chartered the ESG Council (Council) to promote the value and benefits of a company that is focused on corporate responsibility. The overarching role of the Council is to serve as an advisory body to the ELT and the Office of ESG Integration on matters related to Corporate Responsibility, namely ESG, corporate social responsibility and diversity, equity, and inclusion (DE&I) and sustainability. The Council provides guidance and input to the Chief HR Officer (CHRO) and VP of ESG Integration on proposed strategies, policies, initiatives, reports, etc. and endorses any documents requiring ELT approval.

The Council has four primary objectives:

1. Contribute to and collaborate on the development of the company's strategies and high-level objectives by providing insights from across the organization; help determine the appropriate team to lead priority initiatives.
2. Lead, share and champion Corporate Responsibility objectives, efforts and results within internally and externally, as appropriate, through promoting awareness, sharing best practices, embracing diversity of thought, and leading creative initiatives and activities.
3. Provide guidance and feedback on appropriate processes, metrics, and tools to monitor and track individual strategies and overall Corporate Responsibility objectives and action plans.
4. Use qualitative and quantitative data to guide, facilitate learning and build support for our Corporate Responsibility objectives in relevant initiatives, policies, and practices.

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Council Member Responsibilities

- Contribute to, collaborate on, endorse, prioritize, and monitor XYZ's Corporate Responsibility strategic initiatives and objectives and help ensure their implementation in respective departments and across the enterprise.
- Provide constructive feedback and recommendations on the Office of ESG Integration's work.
- Provide support to and partner with Employee Resource Groups (ERGs) in furtherance of organization-specific and enterprise-wide Corporate Responsibility initiatives and activities.
- Act as thought leaders and influencers while providing leadership and role modelling in the support and promotion of Corporate Responsibility initiatives. In partnership with the Office of ESG Integration, identify and communicate business cases and successes internally and externally as appropriate. Participate and represent XYZ in appropriate ESG and/or diversity-related topics, either internally or externally.
- Be an active learner in all things ESG and DE&I to represent XYZ's commitment to Corporate Responsibility well. Active learning areas include opportunities and challenges in programs, policies, and practices; embracing and, where necessary, modifying behaviors to espouse those required of inclusive leaders; and personal development as ESG and DE&I change agents and champions through the guidance of the Chair and the VP of ESG Integration.

Note: external communication activities must be approved in advance through the Office of ESG Integration and Corporate Communication.

The ESG Council is Comprised of an Executive Steering Committee, Leadership Team and Supporting Committees

The **Executive Steering Committee** is chaired by the CHRO and includes XYZ's General Counsel/ Corporate Secretary, and Chief Financial Officer. The purpose of this group is to provide executive oversight and final decision authority on all activities of the ESG Council. They ensure alignment with XYZ's business strategies, set strategic priorities and performance expectations, and drive ownership of Corporate Responsibility priorities from the top-down. The VP of ESG Integration, who sits on both the Executive Steering Committee and the Leadership Team, will serve as a conduit between both bodies.

Additionally, XYZ's extended Executive Leadership Team and Board of Directors Nominating and Corporate Governance Committee provide guidance to the Executive Steering Committee on all matters related to Corporate Responsibility priorities.

The **Leadership Team** is chaired by the VP of ESG Integration, as well as the DE&I Senior Manager. Members of this group include representatives from corporate and sector senior leadership – i.e., those individuals who are in a position to provide the resources and relevant insight to contribute to the development and implementation of XYZ's Corporate Responsibility strategies. The purpose of this group is to act as champions and de facto owners of their relevant elements to Corporate Responsibility strategies and galvanize resources to support the organization in achieving its corporate responsibility objectives. The Leadership Team will also serve as the first round of vetting and approval of decisions before being raised to the Executive Steering Committee.

Appendix

Council Committees will be established and retired based on current priorities (e.g., Corporate Responsibility strategy goals and objectives). The purpose of the committees is to serve as the implementation arm of the ESG Council; they will execute specific charges, as defined by the Leadership Team, which may include developing and executing action plans, monitoring processes, and reporting results. Members will be appointed by the Leadership Team based on the committees' scope of work and required expertise. All committees will have an appointed Chair who may attend Leadership Team meetings, as needed, to report on their committees' progress.

Advisory Support will be provided to the Leadership Team and Committees via XYZ's Employee Resource Group (ERG) leadership. They will provide guidance to the Council and share candid feedback, insights and perceptions on current and future Corporate Responsibility initiatives.

Substitutes

Each member of the Council shall propose one alternate member, who will act as substitute in the event the Council member cannot participate in meetings. The Chair of the relevant Council group (i.e., Leadership Team, Committees) shall be notified of any rotation of alternate members. Alternate members also serve the purpose of ensuring succession planning for Council members.

Council Chairs may also admit additional members as observers, as needed. Observers may be asked to contribute to discussions, based on their specific areas of expertise, but will not have any decision-making or voting role within the Council.

Vacancies

Vacancies on the Council, however created, may be filled by new members as appointed by the Chair of the Executive Steering Committee and/or Leadership Team, as appropriate. Vacancies may or may not be filled and will be determined based on Council needs.

Member tenure

Executive Steering Committee members shall be appointed for the duration of the time they remain within their original department and role. Council members on the Leadership Team shall serve two-year terms, or until such time as the member requests to be relieved of their assignment, in which case the Chair of the Leadership Team will coordinate with the ELT to appoint a new representative from that department. At the completion of a member's term, a new member from that department will assume their role on the Council.

Council membership for all groups will be revalidated on an annual basis.

Time Commitment

- Attendance at Council meetings which take place at least four times a year (in-person or via hybrid/remote conference) and at ad hoc meetings as needed.
- As champions of Corporate Responsibility, members should make time to participate in forums dedicated to related topics and in enterprise-wide events, as well as to dedicate time to supporting initiatives within their departments.
- Members may be asked to complete action items between meetings.

Appendix

Council meetings

Meetings will be used to discuss Council member feedback and arrive at recommended approaches and decisions, particularly for the Executive Steering Committee and Leadership Team. All meetings will be decision-making forums and only scheduled as needed. Given their charge as a working group and action-planning forum, Council committees will meet as needed to achieve their intended results.

The main focus of the meetings will be for the Leadership Team and Committee Chairs to present any of the following (non-exclusive list):

- Updates on progress towards objectives, benchmarks, and strategic plans.
- New initiatives to obtain feedback prior to implementation.
- Corporate Responsibility Report and updates for endorsement prior to being sent to the ELT for approval.
- Training for Council members.
- Ad hoc topics where Council input is needed.

Administration

The CHRO shall provide an Assistant for the ESG Council. The Assistant is not required to be a member of the Council but may attend to help support meetings (e.g., taking minutes, helping with facilitation, logistics, etc.).

All administrative duties will be performed through the Assistant and/or Office of ESG Integration. Meeting invitations, agendas, and documentation needed for meetings will be sent out from the Leadership Team Chair and/or Co-Chair, and special meetings may be called and scheduled by the Leadership Team Chair. After the Chair has approved the meeting minutes, they will be distributed to all members within two weeks following a meeting.

Tracking Progress

The ESG Strategy, DE&I Strategy and Corporate Responsibility Report will be prepared by the Office of ESG Integration and endorsed by the Council Executive Steering Committee. A full ESG strategic plan and DE&I strategic plan will be presented every three years, with an update submitted in the intervening years. Both the full strategic plans and updates will be approved by Executive Steering Committee, following a briefing by the Leadership Team Chair and selected Council members as requested by the Chair or Executive Steering Committee. Following approval by the Executive Steering Committee, the ESG and DE&I strategies will be presented to the Board of Directors. The Corporate Responsibility Report will be published annually and follow a similar review process.

The Office of ESG Integration will provide regular updates on key metrics that are intended to measure progress towards XYZ's ESG and DE&I goals.

Appendix

Sample ESG Scorecards

general motors

Status of Our Goals

We are dedicated to actively pursuing our sustainability goals. We've taken productive strides in our operations and are continuously strengthening our strategy as we advance on our journey toward zero emissions.[1]

These metrics are inclusive of organizational boundary adjustments to better align with GHG protocol and updates in certain calculations for changes in assumptions and increased available data.

Reducing Scope 1 and Scope 2 GHG emissions from our operations by 72% by 2035 against a 2018 baseline

Sourcing 100% renewable electricity globally by 2035

Reducing Scope 3 GHG emissions from the use of sold products by 51% per vehicle kilometer by 2035 against a 2018 baseline

Eliminating tailpipe emissions from new U.S. light-duty vehicles by 2035

Reducing water intensity by 35% by 2035 against a 2010 baseline

Diverting more than 90% of our operational waste from landfills, incinerators and energy recovery facilities by 2025 against a 2018 baseline

We continue to invest in energy-efficient systems and renewable energy strategies to reduce Scope 1 and 2 emissions.

Emissions Mitigation Plan

Operational Energy Efficiency

The Transition to Renewable Energy

Slower reduction in ICE volumes, based on customer demand, impacts the emissions intensity progress.

An All-Electric Future

Advancing Electrification and Autonomy

We are committed to managing water use in our facilities efficiently and responsibly, particularly in water-stressed locations where we have manufacturing operations.

Water

We have surpassed our Zero Waste performance target for the second consecutive year and are now building upon our strategies and ambitions to develop a new target.

Waste

Our People

GM is committed to creating a consistent, safe and inclusive culture resulting in thriving careers.

The DEI Team is driving data-driven insights that will shape business priorities in the areas of talent equity, inclusive experiences, community, social impact and more.

Representation in Top Management Positions in 2023[1]

35.7% women globally

17.2% minorities in the United States

Leadership

GM's leadership is committed to evolving our actions to support an equitable all-electric transition by addressing access barriers and focusing on consistent inclusive experiences for all. Our Inclusion Advisory Board (IAB) includes internal and external leaders who support, champion and hold key stakeholders accountable to improve our desired DEI outcomes.

Representation

Global	Overall	Salaried	Hourly	Executives[2]	Non-Executives[3]
Men	74.7%	73.8%	75.3%	73.8%	73.8%
Women	25.3%	26.2%	24.7%	26.2%	26.2%

United States	Overall	Salaried	Hourly	Executives[2]	Non-Executives[3]
White	62.7%	65.4%	60.1%	76.2%	65.2%
Black/African American	19.8%	7.9%	31.1%	6.4%	7.9%
Asian	9.0%	17.5%	0.8%	9.2%	17.7%
Hispanic/Latino	6.7%	7.1%	6.4%	6.5%	7.1%
American Indian or Alaskan Native	0.4%	0.2%	0.6%	0.4%	0.2%
Native Hawaiian or Pacific Islander	0.1%	0.1%	0.1%	0.1%	0.0%
Two or More Races	1.1%	1.5%	0.8%	0.8%	1.5%
Do Not Wish to Identify	0.2%	0.3%	0.1%	0.3%	0.3%
Total Racial and Ethnic Minority Groups	37.3%	34.6%	39.9%	23.7%	34.7%

[1] Within two levels of our CEO.
[2] Executive salaried employees.
[3] Non-Executive salaried employees.