

Good Corporate Governance SBC Checklist

August 2018

Are you equipped to lead your organisation
to sustainable long-term growth?



Introduction

We live in an increasingly volatile, global, tech-driven and competitive economic environment, which is subject to growing socio-economic and environmental disruption and uncertainty. Maintaining short-term returns while ensuring sustained long-term growth and value creation is no easy task.

Growing investor, shareholder, regulator and consumer expectations are placing greater scrutiny on business performance and the transparency of decision-making, particularly in relation to environmental, social and governance (ESG) risks.

ESG issues like climate change, diversity and inclusion, labour practices, executive compensation, cyber risk and board independence are moving up the boardroom agenda.

Overseas, these issues are already central to a board's role and responsibilities. This was reinforced by the G20's [Financial Stability Board on climate risk disclosure](#). And here, in New Zealand momentum is building, following the release of the revised [NZX Code of Good Corporate Governance](#).

Leading companies are using sustainability as a tool to navigate these new responsibilities. It helps them shape strategy, manage risk and ensure long term viability and business growth. Boards have a unique role to play to bring sustainability and ESG issues to the forefront of corporate strategy.

This guidance document helps directors and executive management ask the right questions and:

- Improve understanding of organisational capabilities for driving exemplary sustainability and ESG performance.
- Improve oversight and help drive a strategic approach to corporate sustainability, and to respond to the interests of key stakeholders while protecting and creating financial value.

Strategic Planning and Risk Management

1. Do we have a comprehensive understanding of the ESG issues and risks we face? Have we identified the most material issues for our organisation (and our stakeholders)? If not, how do we identify them?
2. Has the P&L opportunity or risks of each issue been quantified?
3. How are our ESG risks and opportunities integrated in our strategic plans and how are they being managed in our current business plans?
4. How does our organisation use long-term, science-based scenarios to understand the business implications of ESG issues and risks and to inform strategic planning?
5. How does our organisation scan for emerging ESG issues and mega-trends?
6. How does our investment portfolio (current and planned) take into consideration identified ESG risks and opportunities? Do we understand our exposure, in terms of climate change and other key ESG issues?



7. Is our organisation using 'purpose' to set strategic direction in an increasingly complex, uncertain and volatile operating environment?

Leadership capability

8. Do we have sufficient sustainability/ ESG leadership capability at a board and executive level, as well as throughout the organisation?
9. Do we have the capabilities required to deliver value from our most material sustainability and ESG issues and opportunities, and to mitigate associated risks?
10. What are the weakest links in our capabilities? What is our plan for developing capabilities in these areas?
11. How do we develop sustainability as a core competency throughout the organisation?
12. How do we actively create space for innovation, collaboration and leadership? What new strategies and capabilities will be required to do so?

Governance

13. Who is accountable for sustainability leadership and performance, and how do we hold them to account?
14. Are those who are accountable being measured in a way that creates the right incentives?
15. How has responsibility for sustainability been embedded into all relevant committee charters, to ensure it is not considered in a silo, but enables integration and meaningful dialogue on issues such as strategy, risks and incentives?
16. How do we ensure that key staff responsible for P&L are involved in board discussions about sustainability and alignment with business strategies?
17. How do we ensure robust disclosure of the board's oversight of relevant sustainability issues?

UN Sustainable Development Goals (SDGs)

18. Are the SDGs an important framework for our organisation to align with? If so, how is our organisation engaging and delivering on the SDGs?
19. How are the SDGs integrated into our business agenda, as well as planning and reporting processes?

Climate change

20. How will the impacts of climate change affect our organisation? What are the potential risks and opportunities (and financial implications) and how are we building the organisation's resilience?
21. What is our strategy for managing greenhouse gas emissions and transitioning to a zero carbon economy?



Environment

22. How can we foster the right kind of leadership to transform the way we run our business within the limits of natural resources?

Performance monitoring, measurement and reporting

23. What are our key sustainability metrics?
24. How have we aligned our core business model with sustainable outcomes?
25. What reporting framework do we currently use? For example: integrated reporting or global reporting initiative.
26. How does the content of our current reporting compare to best practice, particularly structure and content?
27. What are the biggest opportunities to improve ESG disclosure, and the transparency of decision-making and performance?

Communications and engagement

28. Who are our stakeholders and what do they think of our impact on the environment and community?
29. How informed and engaged are our employees on key sustainability and ESG issues? What are the opportunities for improvement?
30. Are we making the most of our sustainability story? Are our key stakeholders aware of the work we are doing?
31. What are the key messages we should communicate? How are they determined? And who, when and on what channels should they be distributed?
32. How do we demonstrate leadership on key material issues? How do we communicate our ambitions to stakeholders?
33. How do we engage key stakeholders to create more inclusive conversations and collaborations?

Sources

Ramani, V (2015) View from the top: How corporate boards can engage on sustainability performance. CERES.

Financial Stability Board on climate risk disclosure.

NZX Code of Good Corporate Governance.

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