

Expanding the Board Skills Matrix for ESG-engagement

Synopsis

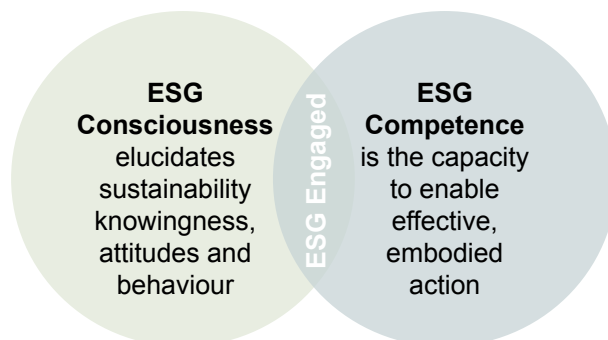
In times where a focus on sustainability governance/ESG is a key item for investors, other stakeholders and boards alike, it is useful to expand on traditional board skills matrices.

The key benefits are:

1. Understanding the depth of directors' sustainability experience and where additional skills are required
2. Showcasing the experience and leadership of the board in sustainability matters (if applicable)

An opportunity for developing an expanded view of a boards' skills matrix could be when in the process of succession planning, or when looking for new directors or committee chairs with specific sustainability knowledge.

When considering directors' skills we recommend distinguishing between two levels of ESG-engagement:



Both levels have their place in the boardroom, as the entire board might want to strive to be ESG-conscious, and members of a relevant committee tasked with overseeing sustainability ought to be ESG-competent.

We use a simple but effective checklist to assess directors' ESG-engagement, including both levels, through our annual ESG preparedness reports. The checklist on the next page can help to get a preliminary gauge on board members' engagement levels on sustainability.

Materiality and beyond

ESG skills should be aligned to organisation' material sustainability issues. The [SASB materiality map](#) provides one of the most accessible preliminary assessments of financially material sustainability issues to businesses.

However, given the high uncertainty and constant change in today's business environment, we also encourage boards to think beyond materiality.

Boards should regularly monitor several key factors as they may impact the world in which the business operates.

We call those **CHANGE** factors: Climate, Human Rights, AI, Nature, Geopolitics, Equality.

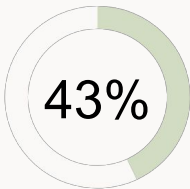
Thus, ESG-engagement can also mean a director with knowledge of systemic impact of AI to the business, especially in services and technology companies where this tends to be material. Geopolitical risk may likely sit outside current sustainability governance but might need to be more closely aligned as, for example, climate change accelerates conflict.

External advisors, or advisory boards/groups can provide any missing sustainability skills on the board, provided that the board has an overall commitment to ESG oversight.

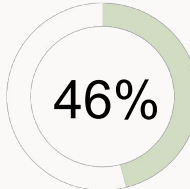
Global ESG-engagement of Directors

as per our 2023 Annual ESG Preparedness Assessment*

Global ESG-Engagement of directors

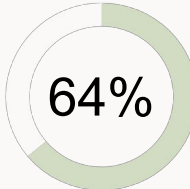


of directors on relevant committees are **ESG-engaged**



of relevant committee chairs are **ESG-engaged**

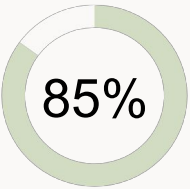
Overall, female directors are



more likely to be **ESG-engaged**



Global ESG-Engagement drivers of engaged directors (Checklist)

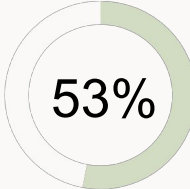


Business Experience
Executive or board experience actively involved in sustainability strategy or governance

Examples



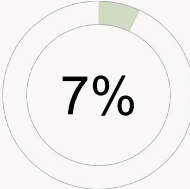
Published interviews expressing details about the approach to ESG, sustainability report foreword, published speeches or strategy



Non-Business Experience
Board member of a business material non-profit organisation, foundation, or charity, or fellowship of an international campaign body



WEF, UN Global Compact, CECP, WBCSD, think tanks with sustainability focus



Education & Thought Leaders
Formal ESG/sustainability certification/accreditation or published paper, research, book, or report in the area, or teaching capacity



TSB SLPP, GCB.D, Diligent Climate Certificate, publication on recognised forum, author of a relevant book

* TSB 2023 Annual ESG Preparedness Assessment. Please refer to the report for the detailed methodology.