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ESG: Where it all comes together

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Many compliance professionals find themselves tasked with building or contributing to their company's environmental, social, and governance (ESG) program. The natural fit between compliance professionals and this responsibility stems from their strong understanding of the governance pillar. While ESG is a monster to be tamed,[1] once the enormity and breadth of the program are grasped, compliance professionals can adeptly bring it together in a manner that benefits the company.

Building out the committee

When a company decides to develop an ESG program and commits to the initiative, the most natural next step is establishing an ESG committee. Given the multifaceted nature of ESG involving numerous teams, creating a responsibility assignment matrix—also known as a RACI chart—proves beneficial. A RACI chart (a Six Sigma tool) aids in defining roles and responsibilities by categorizing teams or individuals as Responsible, Accountable, Consulted, and Informed. Identifying major stakeholders from the RACI chart ensures the inclusion of essential members on your ESG committee.

Structuring the committee should consider insights from various departments involved in the ESG program, as outlined in the RACI chart. Including major stakeholders designated as "consulted" and possibly those designated as "informed" is crucial. The individuals "responsible/accountable" will likely be the committee secretary or lead responsible for preparing materials and providing the committee with a summary of the work accomplished.

It is highly advisable to include at least one senior-level individual from the C-suite on the committee. Ideally, having the CEO chair the committee aligns with most frameworks requiring a high-level decision-maker for the ESG program. Having a C-suite executive on the committee fulfills a vital requirement in many frameworks.

Once the committee members are determined, establishing "voting rights" becomes necessary for ESG strategy and initiative decisions. The consulted or informed categories might be considered nonvoting members, serving more in an advisory capacity rather than an action role.

Lastly, decisions about meeting formats (in-person or virtual) and frequency (monthly or quarterly) should be made. Considering the initial involvement of various departments categorized as responsible or accountable, forming subcommittees to focus on individual program pillars can be effective. Regular meetings (perhaps weekly or monthly) may occur at the subcommittee level, with consolidated reports presented at the ESG committee monthly or quarterly.

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