



A4S

CFO LEADERSHIP NETWORK

ESSENTIAL GUIDE TO ENGAGING THE BOARD AND EXECUTIVE MANAGEMENT

A practical guide for finance teams to engage their board and executive management on sustainability

BOARD CHARACTERISTICS REVIEW TOOL



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
CANADA

COMPTABLES
PROFESSIONNELS
AGRÉÉS
CANADA





BOARD CHARACTERISTICS REVIEW TOOL

The characteristics of the board has a significant influence on the way the members execute their responsibilities, interact with each other, make decisions, and lead the organization. Before engaging the board on sustainability, it would be useful for the CFO and finance team to understand the board characteristics: governance, competencies, composition, and behaviours.

Governance



Board characteristics:

- Board members understand that insufficient consideration of social and environmental factors, with a focus on short-term returns, risks breach of their fiduciary duties.
- In fulfilling its responsibilities under its mandate, the board consistently adopts a wider stakeholder perspective through short-, medium- and long-term lenses.
- The board, either directly or through its committees, has oversight of, and accountability for, sustainability.
- The board assesses the organization's performance against an integrated strategy.

These characteristics influence the board's ability to:

- Meet fiduciary responsibilities, adhere to the organization's purpose, and maintain social licence to operate.
- Make better, more informed decisions that benefit both the organization and its stakeholders.
- Manage risk effectively and increase resilience to both short-term shocks and long-term trends.
- Be accountable for achieving strategic objectives and monitoring corporate performance.

Competencies



Board characteristics:

- Board members have the right competencies and experience such that they recognize the organization's role as a steward of the natural environment and in supporting the resilience of the communities in which it operates.
- Board members are aligned on what it means to be a sustainable business and its relevance to short- and long-term value creation.
- Board members are aware of sustainability risks and opportunities and reflect their assessment of that risk in their strategic thinking and risk management oversight.

These characteristics influence the board's ability to:

- Harness their knowledge and skills to add value and contribute to the success of the organization.
- Set the strategic direction and monitor short- and long-term value creation.
- Be able to identify and manage risks, and respond quickly to opportunities.

Composition



Board characteristics:

- The board has diverse and inclusive membership, in personal characteristics (gender, ethnicity, etc), social background, functional competency, skills, experience, and personality type.
- The board includes a chair who encourages open dialogue and at least one member who is competent in sustainability.
- The recruitment of board members ensures ongoing diverse and inclusive composition, with the relevant skills, experience and competence.

These characteristics influence the board's ability to:

- Ensure a wide range of perspectives are considered and experiences harnessed.
- Think creatively and make decisions in a more considered and balanced way.
- Develop an adaptive board culture and respond effectively to change.

Behaviours



Board characteristics:

- Board members adhere to the societal purpose of the organization and live by its values.
- They exhibit responsible and ethical leadership behaviours.
- They promote sustainable business as business as usual and support its full integration into all decision making.
- They adopt an open-minded approach and seek input from key stakeholder groups and advice from relevant experts.

These characteristics influence the board's ability to:

- Provide consistent leadership, aligned to the purpose, values, and strategic objectives of the organization.
- Seek and act on wider input, as appropriate.
- Instil faith in their ability to steer the organization on a sustainable, profitable trajectory for the long term.



BOARD CHARACTERISTICS REVIEW TOOL

Below is a question-based tool to help the finance team review the characteristics of the board and understand how these influence the board's ability to provide steer and make decisions on sustainability.

Governance	
 <p>Questions to help you review the board characteristics:</p> <ul style="list-style-type: none"> • Do board members understand that insufficient consideration of social and environmental factors, with a focus on short-term returns, risks breach of their fiduciary duties? • Does the board consistently adopt a wider stakeholder perspective through short-, medium- and long-term lenses? • Does the board, either directly or through its committees, have oversight of and accountability for sustainability? • Does the board assess the organization's performance against an integrated strategy? 	<p>These characteristics influence the board's ability to:</p> <ul style="list-style-type: none"> • Meet fiduciary responsibilities, adhere to the organization's purpose and maintain social licence to operate. • Make better, more informed decisions that benefit both the organization and its stakeholders. • Manage risk effectively and increase resilience to both short-term shocks and long-term trends. • Be accountable for achieving strategic objectives and monitoring corporate performance.
Competencies	
 <p>Questions to help you review the board characteristics:</p> <ul style="list-style-type: none"> • Do board members have the right competencies and experience such that they recognize the organization's role as a steward of the natural environment and in supporting the resilience of the communities in which it operates? • Are board members aligned on what it means to be a sustainable business and its relevance to short- and long-term value creation? • Are board members aware of sustainability risks and opportunities and do they reflect their assessment of that risk in their strategic thinking and risk management oversight? 	<p>These characteristics influence the board's ability to:</p> <ul style="list-style-type: none"> • Harness their knowledge and skills to add value and contribute to the success of the organization. • Set the strategic direction and monitor short- and long-term value creation. • Be able to identify and manage risks, and respond quickly to opportunities.
Composition	
 <p>Questions to help you review the board characteristics:</p> <ul style="list-style-type: none"> • Does the board have diverse and inclusive membership in personal characteristics (gender, ethnicity, etc), social background, functional competency, skills, experience, and personality types? • Does the chair of the board encourage open dialogue and does it contain at least one member who is competent in sustainability? • Is there a chair on the board who encourages open dialogue and at least one member who is competent in sustainability? • Does the recruitment of board members ensure ongoing diverse and inclusive composition, with the relevant skills, experience and competence? 	<p>These characteristics influence the board's ability to:</p> <ul style="list-style-type: none"> • Ensure a wide range of perspectives are considered and experiences harnessed. • Think creatively and make decisions in a more considered and balanced way. • Develop an adaptive board culture and respond effectively to change.
Behaviours	
 <p>Questions to help you review the board characteristics:</p> <ul style="list-style-type: none"> • Do board members adhere to the societal purpose of the organization and live by its values? • Do they exhibit responsible and ethical leadership behaviours? • Do they promote sustainable business as business as usual and support its full integration into all decision making? • Do they adopt an open-minded approach and seek input from key stakeholder groups and advice from relevant experts? 	<p>These characteristics influence the board's ability to:</p> <ul style="list-style-type: none"> • Provide consistent leadership, aligned to the purpose, values, and strategic objectives of the organization. • Seek and act on wider input, as appropriate. • Instil faith in their ability to steer the organization on a sustainable, profitable trajectory for the long term.



BOARD CHARACTERISTICS REVIEW TOOL

Question	Response	Examples of what finance can do to strengthen board governance
Do board members understand that insufficient consideration of social and environmental factors, with a focus on short-term returns, risks a breach of their fiduciary duties?		<p>Present the financial impact of social and environmental risks and opportunities that are material to the organization and highlight the risk of inaction.</p> <p>Board activity 1: Business strategy and planning</p>
Does the board consistently adopt a wider stakeholder perspective through short-, medium- and long-term lenses?		<p>Highlight any regulatory requirements and investor pressures concerning environmental, social and governance factors, consider their impact across short-, medium-, and long-term time periods.</p> <p>Board activity 1: Business strategy and planning</p>
Does the board, either directly or through its committees, have oversight of, and accountability for, sustainability?		<p>Support the company secretary in enhancing corporate governance practices to enable effective monitoring of decision making for sustainability issues.</p> <p>Board activity 2: Governance and risk management</p>
Does the board assess the organization's performance against an integrated strategy?		<p>Integrate social and environmental factors into the regular strategic planning process. Monitor performance and demonstrate how the strategy drives long-term value creation and report to the board.</p> <p>Board activity 1: Business strategy and planning</p>



BOARD CHARACTERISTICS REVIEW TOOL

Question	Response	Examples of what finance can do to ensure board competency
Do board members have the right competencies and experience such that they recognize the organization's role as a steward of the natural environment and in supporting the resilience of the communities in which it operates?		<p>Consider how finance can support integrating sustainability into the nomination process, educating the board on material sustainability issues, and deepening engagement with relevant stakeholders and experts.</p> <p>Step 1.3: Understand the board characteristics</p>
Are board members aligned on what it means to be a sustainable business and its relevance to short- and long-term value creation?		<p>Use the A4S Leadership Alignment Tool to help board members understand what a sustainable business means and align them behind a common vision. Provide information on matters that are important to value creation and protection.</p> <p>Board activity 1: Business strategy and planning</p>
Are board members aware of sustainability risks and opportunities and do they reflect their assessment of that risk in their strategic thinking and risk management oversight?		<p>Present the financial impact of environmental and social risks and opportunities that are material to the organization and highlight the risk of inaction.</p> <p>Board activity 1: Business strategy and planning</p> <p>Board activity 2: Governance and risk management</p>



BOARD CHARACTERISTICS REVIEW TOOL

Question	Response	Examples of what can finance do to enhance and diversify board composition
Does the board have diverse and inclusive membership in personal characteristics (gender, ethnicity, etc), social background, functional competency, skills, experience, and personality types?		<p>Consider how finance can support integrating sustainability into the nomination process.</p> <p>Step 1.3: Understand the board characteristics</p>
Does the chair of the board encourage open dialogue and does it contain at least one member who is competent in sustainability?		<p>Understand the dynamics of the board. Who may be difficult to convince and who will likely give support?</p> <p>Get buy in and build relationships with those members who are likely to be 'on side' and champion sustainability. Draw on their expertise and support.</p> <p>Meet with them individually outside of regular board meetings to build relationships and to have more in-depth, strategic discussions on sustainability.</p> <p>Step 2.2: Engage the board</p>
Does the recruitment of board members ensure ongoing diverse and inclusive composition, with the relevant skills, experience, and competence?		<p>Consider how finance can support integrating sustainability into the nomination process.</p> <p>Step 1.3: Understand the board characteristics</p>



BOARD CHARACTERISTICS REVIEW TOOL

Question	Response	Examples of what can finance do to influence board behaviours
<p>Do board members adhere to the societal purpose of the organization and live by its values?</p>		<p>Embed sustainability across regular board activities over time, so that the buy in and commitment from the board may be strengthened.</p> <p>Step 1.3: Understand the board characteristics</p>
<p>Do they exhibit responsible and ethical leadership behaviours?</p>		<p>Draw the board's attention to their fiduciary duties in addressing environmental, social, and governance matters. Work with the EM team to ensure there is board level oversight of these matters and the related regulatory requirements and investor requests. Establish accountability and provide/support opportunities for board members to have direct dialogues with key stakeholders on the organization's sustainability performance and impact.</p> <p>Step 2.2: Engage the board</p>
<p>Do they promote sustainable business as business as usual and support full integration into all decision making?</p>		<p>Work with the EM team to integrate sustainability into financial and business decisions. Include sustainability targets and incentives in performance measurement so that senior leaders are personally invested, sending a positive message to the rest of the organization.</p> <p>Step 2.2: Engage the board Step 3.2: Embed across board activities</p> <p>Step 3.3: Report progress</p>
<p>Do they adopt an open-minded approach and seek input from key stakeholder groups and advice from relevant experts?</p>		<p>Work with other departments such as sustainability and IR to provide opportunities for the board to engage with key stakeholder groups on sustainability. Invite external experts to update the board on the current and emerging sustainability risks and their implications for the organizations.</p> <p>Step 2.2: Engage the board Board activity 1: Business strategy and planning</p>



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