

EY Center for Board Matters

2022 proxy season preview

What investors expect from
the 2022 proxy season

The stakes for directors are going up in proxy season 2022 as investors seek to hold boards more directly accountable for business-relevant environmental and social matters, particularly climate risk and the energy transition.

Investors and other stakeholders are also scrutinizing how companies take action across multiple dimensions – from their workplace policies and practices to the products and services they provide, their capital allocation decisions and whether political spending aligns with the company's public commitments and values.

Investors want to see companies back up bold pronouncements and long-term commitments with shorter-term, interim goals, clear reporting on progress and direct board oversight. They also seek more candor and transparency around how companies are navigating challenges, and how they are innovating and investing in solutions as they work to address complex, systemic risks and position the company for the future. Underlying these expectations and areas of focus are investors' conviction that more effective management of business-relevant

environmental, social and governance (ESG) issues will lead to better financial performance.

These highlights stem from conversations with governance specialists from more than 60 institutional investors representing over US\$47 trillion in assets under management, including asset managers (44% of all participants), public funds (28%), socially responsible investment managers (14%), labor funds (8%) and faith-based investors (3%), as well as investor consultants and associations (3%).

In this report, we focus on:

- ▶ ESG topics impacting director elections
- ▶ Four ways boards can demonstrate oversight of ESG
- ▶ Top investor stewardship priorities for 2022
- ▶ Five tips from investors for improving shareholder engagement

In brief

- ▶ Board ESG competence and oversight are under growing scrutiny.
- ▶ Investors want companies to walk the talk on climate and diversity.
- ▶ On engagement, investors seek more candor and active listening.

1

ESG topics impacting director elections

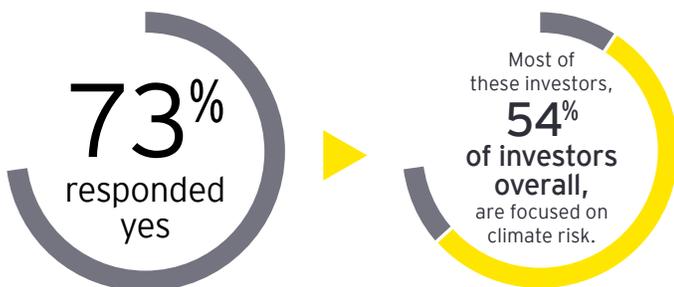
Attention is turning to the board as investors plan to escalate their stewardship related to business-relevant environmental and social matters through votes against the reelection of directors. Nearly three-quarters of investors (73%) told us that ESG oversight will be a more important factor in how they evaluate and vote on directors this proxy season than it was in the 2021 season, with climate risk emerging as the most acute area of focus.

The new universal proxy rules make these developments more potent. Currently, shareholders generally have to choose between supporting the company's or the activist's slate. The new rules, which require that proxy cards include both sides' nominees, will allow shareholders to vote for a mix of candidates from both slates. Investors are focused on increasing director accountability for ESG just as they are getting more flexibility to support the director candidates of their choice in a proxy contest and as ESG becomes a more important part of the activist playbook.

Climate risk oversight

A majority of investors (54% of the investors we spoke with) expect climate risk oversight to play a more important role in their director voting this year. For some, this reflects the

Will ESG oversight be a more important factor in how you evaluate and vote on directors this proxy season than it was in the 2021 season?



impact of their own net-zero commitments. Globally more than 200 asset managers and 66 asset owners have committed to support investing aligned with net-zero emissions by 2050 and are intensifying their stewardship approaches in line with those commitments.

Investors are developing their own independent approaches and are at different stages of integrating climate oversight into their director voting strategies. For example, some investors are currently reevaluating their process and considering how to move from an ad hoc approach to a broader, more rules-based director voting strategy on climate. Some have developed a systematic approach and are focused on implementing that approach this year or integrating those expectations for a wider set of focus companies. Others anticipate taking a more proactive case-by-case voting approach, either as part of the escalation of their company engagements or in support of broader investor campaigns. Most investors said they are not necessarily changing their proxy voting guidelines this year but, rather, expect to more proactively apply existing, flexible guidelines.

While some external indicators and frameworks were commonly cited – specifically, the Climate Action 100+ Net-Zero Company Benchmark, Transition Pathway Initiative (TPI) assessments, the Task Force on Climate-related Financial Disclosures (TCFD) framework and the Sustainability Accounting Standards Board (SASB) standards – investors are also using their own internal frameworks and tools, peer analysis and engagement experiences. Several investors emphasized that they will be looking to director biographies and skills matrices in the proxy statement, as well as their engagement experiences with board members, for confirmation that the board has the expertise and independence to oversee strategy related to climate risk and the energy transition.

While the largest, most carbon-intensive companies will be under the most scrutiny, some investors are broadening their expectations to other sectors and expanding their focus to the middle tier of the market.

Other ESG-related oversight

Board diversity is another specific ESG matter where some (19%) investors expect to apply a more rigorous director voting approach in 2022, with some increasing their board gender diversity expectations (e.g., from at least one to at least two women on the board) and some implementing new expectations for racial and ethnic diversity disclosures and board representation (e.g., at least one person of color on the board).

Beyond these thematic approaches, some investors spoke more generally about their intention to use director voting as a key lever of engagement and said they will be looking to see whether committee charters and other governing documents make clear how the board is overseeing material environmental and social factors and how the company's disclosures compare with peers.

Shareholder proposals, say-on-pay and the divestment debate are among the factors shaping investor thinking on director voting strategies for ESG.

In discussing how they will use director votes to hold boards more accountable on ESG matters, investors shared some of the broader context shaping their thinking. Some investors cited a view that say-on-pay's failure to rein in excessive executive pay has created a need to keep the focus on the board's role rather than use a say-on-climate proposal approach. Others said they want to decrease their reliance on shareholder proposals as a channel for communicating ESG-related concerns, noting that a proposal may not be on the ballot where the investor thinks it is needed (or vice versa) or may be constructed in a way that does not align with the voter's views.

Some investors discussed director accountability in the context of the debate around divestment vs. engagement, which they say has been revived as the energy transition unfolds. A few of

these investors stood out for their view that holding directors accountable through the director vote is the most powerful tool they have to drive change – and potentially more effective than any pressure they can apply via capital allocation decisions. They emphasized that with divestment, investors lose their ability to engage and influence the company and said that driving change is vital in the context of climate risk given its systemic market impacts (i.e., investors cannot fully diversify out of that risk). They also said divestment might not achieve the goal of significantly raising a company's cost of capital given the high threshold of participation needed for that level of impact. Still, these investors also said there is a role for divestment and that tough decisions may ultimately need to be made to enable their portfolios to be resilient and fit for purpose in a decarbonized future.

Key board takeaways

- ▶ Recognize that investors plan to use more proactive director voting strategies to hold boards accountable on material ESG matters, especially climate risk, and are taking independent, investor-specific approaches
- ▶ Consider how the company's reporting about board skills, training and oversight responsibilities regarding ESG meet investor expectations, and how the company's disclosures and practices compare with peers and external benchmarks and frameworks such as The Climate Action 100+ Benchmark, TPI assessments, TCFD and SASB
- ▶ Refer to investors' publicly disclosed policies and engagement meetings to better understand their views and how the board's director votes are trending and why

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Four ways boards can demonstrate oversight of ESG

With directors under increasing scrutiny for their oversight of environmental and social matters, we asked investors how a board can convey to them that it is sufficiently engaged on ESG. Here are the answers most commonly cited.

1 Directly engage with shareholders, putting ESG in the context of strategy

Forty-two percent of investors said their experiences directly engaging with board members are among the most telling regarding a board's ESG engagement and knowledge. A point consistently highlighted was the ability of directors to talk authentically about how management has integrated the most relevant ESG matters into the strategy, including how those matters factor into capital allocation decisions and impact the

company's competitive positioning, as well as the targets and metrics used to drive and measure progress. Investors understand that the CEO is the spokesperson for the company's strategy and performance but expect directors to be conversant on how material ESG issues are integrated into the company's strategy, and speak with authority about how the board is executing its oversight. This gives investors confidence that the board is engaged and that the company is approaching ESG as a business imperative and not a "check the box" exercise. Investors view a director who has excellent talking points but is unable to more deeply engage and answer questions beyond scripted remarks as a red flag about the board's effectiveness in overseeing ESG matters. (See also [Five tips from investors for improving shareholder engagement.](#))

Know the ESG factors that matter to the business

A foundation for demonstrating effective oversight of ESG is knowing the ESG factors that matter to the business. Investors expect boards to understand the ESG topics that are material to the company and to oversee the incorporation of related risks and opportunities into the company's strategy.

Some investors told us they are particularly interested in more clarity around the board's role in ESG materiality assessments. (Such assessments involve a company engaging with its most important stakeholders to identify and prioritize ESG topics that are most relevant to the company and where the company can make the most meaningful impact.)

These investors said they want to see that the board is aware of the full scope of ESG risks that are not material to the business now but could become so, and want to understand whether the board was involved in determining which risks are material.



2 Clarify the governance of ESG in committee charters, governing documents and proxies

A third of investors said that committee charters or other governing documents should disclose how ESG matters are included in the work of the board, specific committees and subcommittees. Further, investors encouraged companies to bring those responsibilities to life in the proxy statement by providing more transparency around how oversight is executed, including more detail on management reporting to the board (e.g., which members of management, how often, what themes or topics are regularly discussed and which key metrics are reviewed) and how the board is hearing from external sources on relevant ESG trends and developments.

3 Enhance and communicate the board's relevant ESG expertise and training

A quarter of investors want boards to challenge whether they have the competency needed to oversee and help guide strategy relative to the business' material environmental and social risks and opportunities. They also encouraged companies to be more thoughtful about what the director biographies and

skills matrices in the proxy statement imply about the board's expertise in this regard. For example, some said companies are ascribing sustainability expertise to directors in a skills matrix, but the connection between those directors' experience, as described in the director bios, and the company's material ESG factors is unclear. Many investors said that they appreciate seeing companies disclose that the board is receiving ongoing training and educational support around sustainability topics.

4 Consider the role of ESG in executive pay

Around 10% of investors said that seeing material ESG factors thoughtfully incorporated in executive compensation plans would be a strong indicator of board engagement on ESG matters. These investors said that the lack of ESG metrics in pay plans has led to an underappreciation of those issues and stressed that tying pay to ESG incentives is needed to drive change. Still, some other investors urged caution, raising concerns around the potential for ESG metrics to be misused as a way to pad executive pay and guarantee payouts in years of tough performance. Overall, investors made clear that this is an area under scrutiny and that they want to see key performance indicators that are objective, transparent and advance the strategy.

Key board takeaways

- ▶ Board members who participate in engagement discussions with shareholders should be prepared to discuss the role of material ESG risks and opportunities in the company's strategy, and whether and how objective, transparent and challenging ESG metrics are used in the pay plan to advance that strategy.
- ▶ Consider whether there are opportunities to clarify in the board's governing documents and committee charters how the board and its committees are overseeing material ESG matters.
- ▶ Assess how the board's competence around material environmental and social matters clearly ties to director skills and ongoing training and is explicitly communicated in the proxy statement through the director biographies and qualifications disclosures, skills matrix and discussion around ongoing board training and education.



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Top investor stewardship priorities for 2022

In 2022, investors continue to focus on climate risk, workforce and board diversity and broader human capital management issues. Human rights and biodiversity stand out this year as topics gaining traction among a broader group of shareholders.

While the top areas of investor focus remain the same since last year, the nuances of investor views continue to evolve. This year, investors expressed a growing skepticism of broad pronouncements (particularly related to climate and workforce diversity) that lack specific detail and a deeper focus on how company actions and practices across a multitude of dimensions align with the company's public commitments and values.

Climate risk and the energy transition

Seventy-one percent of investors said they will prioritize the risks and opportunities associated with climate change. In the wake of more companies committing to net-zero greenhouse gas emissions by 2050, investors are focused on the credibility of those commitments and the quality of company transition plans.

Investors want to see short-, medium- and long-term science-based emissions reduction targets that make decarbonization a priority for both current and succeeding management teams. Investors said that without detail around how interim goals and progress will be measured and reported, and without communication around what that commitment means for the company's strategy, broad net-zero pronouncements lack value and may be perceived as "greenwashing." Investors emphasized that decarbonization – not carbon offsets or selling off carbon-intensive assets – should be the cornerstone of company transition plans, and some are looking to see a corresponding shift to renewables.

Investors also want to understand how companies are assessing potential impacts to the business under different climate risk scenarios (including both physical and transition risks), and how they are investing in solutions that can help the company meet growing market demand for sustainable products and services and competitively differentiate in a low-carbon economy.

Other key themes of our conversations included how company climate commitments are informing capital allocation, how corporate money is influencing climate policy (including through trade associations and other intermediaries) and how the company is considering workforce and community impacts as it transitions to a low-carbon economy (i.e., providing for a just transition). Regarding climate policy, some investors emphasized that when a company's statements are in conflict with its public policy activities, it sends the message that either the public policy team is siloed and doesn't realize its work is contradicting the company's commitments or the company is intentionally misleading stakeholders. Investors are paying attention.

Workforce and board diversity

Sixty percent of investors said they will prioritize board diversity and workforce diversity, equity and inclusion (DEI) in their 2022 company engagements. In terms of the workforce, investors want more transparency and accountability related to the role of DEI in the company's strategy, related goals and key performance indicators. Many investors are continuing to ask for the disclosure of EEO-1 data as a baseline (and expect a significant increase in those disclosures this year), and some are measuring available EEO-1 data and using their analysis to benchmark and engage companies.

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This year, investors expressed a growing skepticism of broad pronouncements that lack specific detail, and a deeper focus on how company actions and practices across a multitude of dimensions align with the company's public commitments and values.

Some investors (7%) are looking beyond employee diversity data and seek a more holistic understanding of how company policies and practices impact DEI and workplace culture and are filing related shareholder proposals. Some specific topics cited include mandatory arbitration and nondisclosure agreements, sexual harassment policies, pay equity, lawsuits filed against the company by people in protected classes and related settlement amounts, and how clawback policies address EEO-related provisions. Notably, a few shareholder proposals on mandatory arbitration and sexual harassment policies received majority support in 2021.

Further, some investors (12%) also seek to understand how companies are considering the broader societal impacts of their business and operations on racial equity, including the impacts of a company's business model, products, services, AI and marketing. In particular, five investors (up from just one of

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the investors we spoke with last year) indicated that they will submit shareholder proposals seeking racial equity audits that analyze a company's adverse impacts on nonwhite stakeholders and communities of color. The EY Center for Board Matters tracked 16 such proposals in 2021 (predominantly at financial, health care and technology companies), which averaged 33% support where they went to a vote. Notably, a few investors raised concerns about whether such proposals inappropriately intrude on the board's role in overseeing the material risks for the company. These investors encouraged companies to proactively consider how they would respond to the questions raised by the proposal and indicated an interest in understanding the board's view.

In terms of board diversity, investors continue to seek disclosure of the board's diversity across gender, race and ethnicity and expect those disclosures to be commonplace in 2022 and moving forward. While for some investors, board-level diversity disclosures are sufficient, others are seeking disclosure at the individual director level. Investors also want to see more diverse directors brought into the boardroom and policies that encourage diverse director recruitment (e.g., adoption of the Rooney Rule, which commits boards to include women and minority candidates in director nominee search pools). Investor expectations for demonstrable progress continue to rise. Some are adopting higher gender diversity thresholds or new racial/ethnic diversity thresholds in their proxy voting guidelines. (See also [ESG topics impacting director elections](#).)

Spotlight on audit

Increasing focus on the role of the audit committee regarding ESG

We asked investors if they have audit or audit-committee-related areas of focus, and 36% said they are giving more attention to the audit committee's role relative to ESG. That includes the audit committee's role relative to the oversight of ESG risks (e.g., how such risks are integrated into the enterprise risk management program and how audit committees are building their competency

to oversee those risks), its role relative to ESG data quality and assurance (particularly as the Securities Exchange Commission is developing a proposal to require climate risk disclosures) and how climate risks are reflected in financial reporting (e.g., in material forward-looking estimates and assumptions).

How we see it:

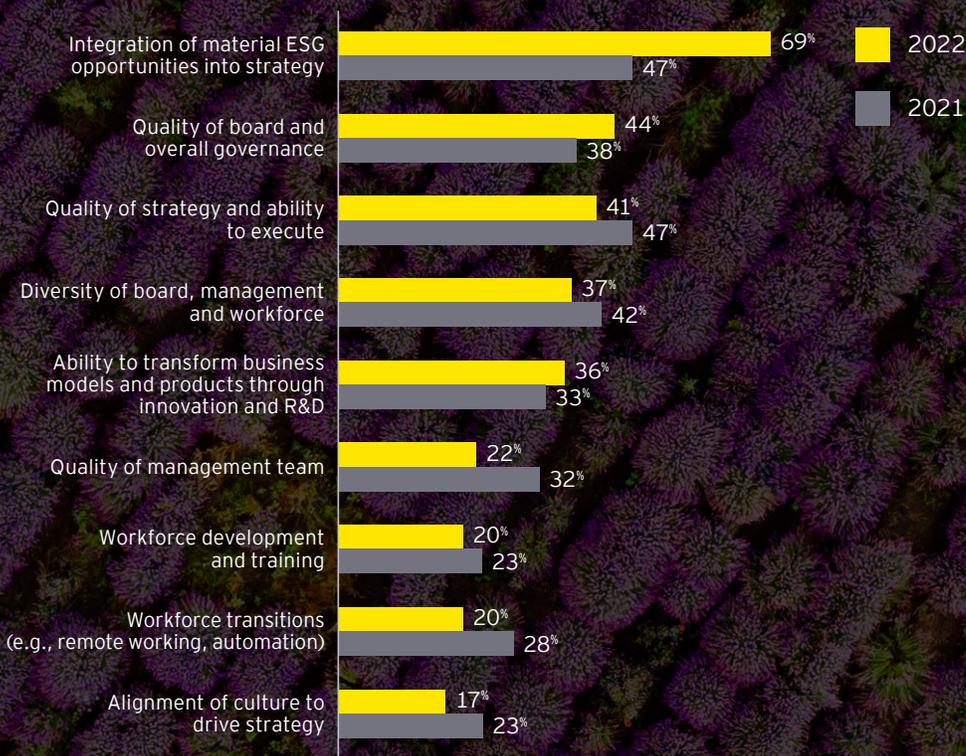
Companies should expect to face more questions around the depth and reliability of their ESG disclosures, risk exposure and resilience, as well as concerns over so-called greenwashing. Audit committees can play an important role in overseeing that ESG reporting has robust processes and controls with a supporting audit trail, like what exists for financial reporting. Audit committees should also understand whether the company's disclosures and commitments concerning climate change and other ESG matters have material accounting and financial statement implications. The Center for Audit Quality has issued a report, [Audited financial statements and climate-related considerations](#), which may help audit committees better understand how climate-related risk considerations intersect with audited financial statements, including guidance on current climate-related reporting and auditing requirements in the US.

What investors view as top strategic drivers and threats

Underlying investors' engagement priorities is their conviction that ESG factors can materially impact long-term financial value. Investors identified ESG-related topics as being among the top strategic drivers and threats for their portfolio companies over the next three to five years.

In fact, 69% of investors said that the integration of material ESG opportunities and risks into strategy will be among the biggest drivers of portfolio companies' success in the next three to five years, up from 47% last year. Investors cited an opportunity for companies, particularly in the small- to mid-cap range, to invest in and expand their ESG programs to meet changing market demands and stakeholder expectations and unlock value. Investors emphasized that their focus on ESG is inherent in their focus on business-relevant risks and opportunities for companies and that they look at ESG issues insofar as they are relevant to financial returns.

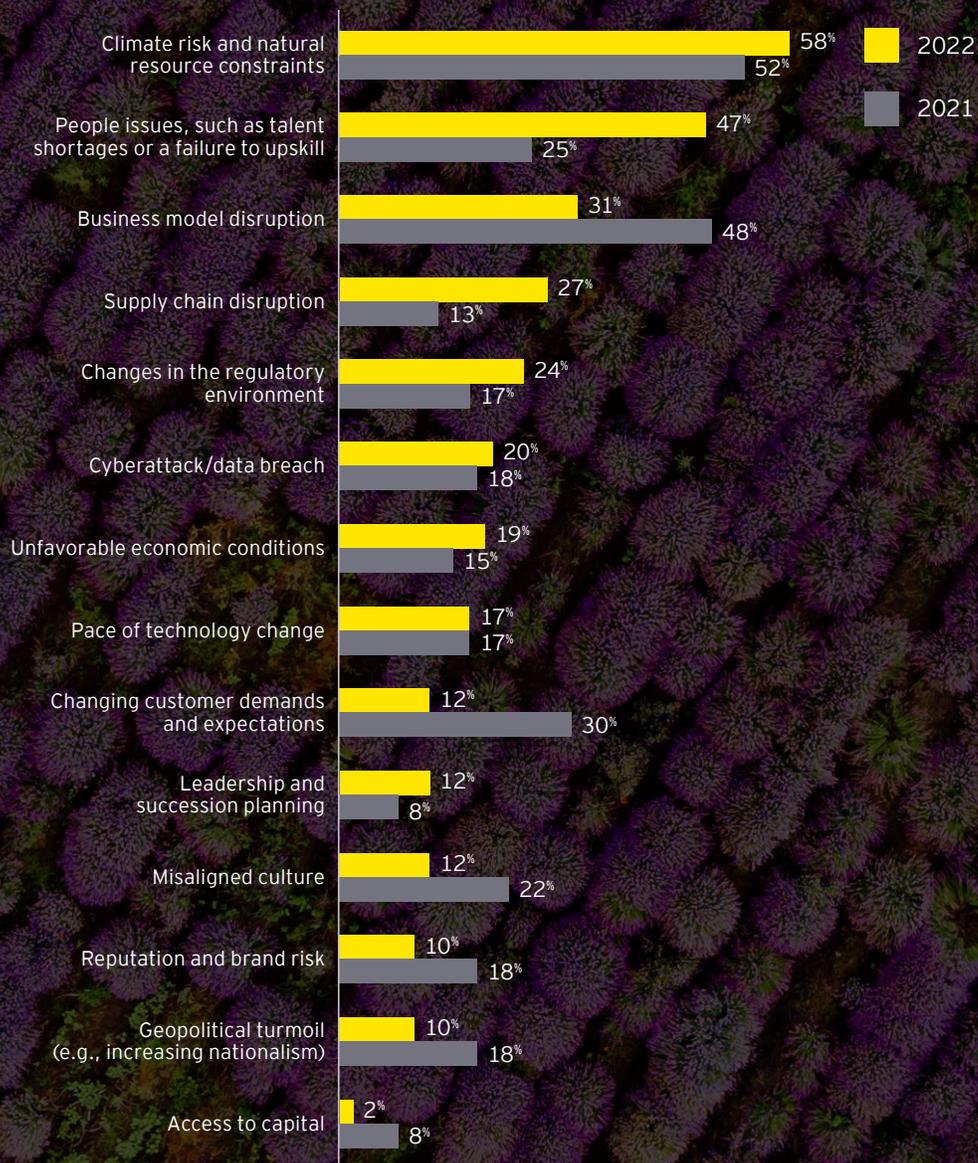
What are the three biggest drivers of strategic success in the next three to five years?



In terms of threats, investors continue to rank climate risk and natural resource constraints at the top, with some citing the billions in losses from extreme weather events in 2021 alone and expressing concerns that companies are underestimating the physical risks of climate change.

People issues jumped up the list this year, with nearly half of investors citing it as a top threat, up from 25% last year. Investors discussed the need to upskill and train employees to align to new technologies and changing work processes, with some citing concerns around the potential impacts to the broader economy as a result of displaced workers. Supply chain disruption also rose up the ranks this year, with 27% of investors now citing it as a top threat. These investors stressed that they are viewing this not just in the narrow sense of the current challenges but also through the lens of climate change, social unrest, human rights, regulation and natural resource issues.

What are the three biggest threats to strategic success in the next three to five years?





Strategic workforce issues beyond diversity

Twenty percent of investors are prioritizing human capital management engagement more broadly. One of the key focus areas these investors cited was workforce development and training. Investors want to better understand how companies are upskilling and reskilling the workforce to align with the technologies and automation that are transforming the nature of work and meet the changing expectations of today's talent.

Some investors stressed that the employee voice is becoming more powerful, and how well a company can harness the value of its talent to create value for shareholders has become a key differentiator. These investors emphasized their view that employee flexibility, diversity of thought, a strong corporate culture and investments in employee development will be essential to enabling the innovation that has become table stakes for survival in the current business environment. Some investors also pointed to the labor challenges currently impacting the economic recovery and said that they view how well the company is managing the workforce as a success factor that speaks directly to the quality of the management team.

Growing areas of focus – human rights and biodiversity

Nineteen percent of investors said they will prioritize engagements on human rights in 2022, up from 8% in 2021. They noted heightened concern regarding human rights risks in global supply chains, particularly related to modern slavery and human trafficking, and want to better understand what human rights policies and risk assessment and mitigation practices companies have in place. Seventeen percent of investors said they will prioritize engagements on biodiversity and natural capital, up from 5% in 2021, and will tie these issues more closely together with their work on climate risk, noting the role that natural ecosystems have in climate solutions. This growing focus on biodiversity and natural capital aligns with the launch of the Taskforce on Nature-related Financial Disclosures, a new global initiative to develop a risk management and disclosure framework for organizations to report and act on nature-related risks, complementing the TCFD's climate-related framework.

Key board takeaways

- ▶ Recognize that business-relevant environmental and social topics continue to dominate investor engagement priorities, which is underpinned by their views that these are among the most pressing risks and opportunities in today's business environment
 - ▶ Assess whether the company has a resilient climate transition plan, including short-, medium- and long-term science-based emissions reduction targets; prepare for questions on how the company is directly and indirectly impacting climate policy, and how capital allocation and incentive structures align to climate goals
 - ▶ Consider how the company is embedding diversity, equity and inclusion in the company's human capital management programs and policies, as well as the company's products, services and business model
 - ▶ Understand trends in environmental and social shareholder proposals and consider what your company is doing to be ready to respond to requests put forward in majority-supported proposals; consider those proposal trends with the mindset that the company could likely receive a similar proposal in the future
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Five tips from investors for improving shareholder engagement

As company-shareholder engagement continues to evolve, we asked investors how engagement can be improved in the current environment. Many said that engagement is working well as-is and remarked on improvements they've seen over the years, including companies becoming more open and responsive and increased director involvement. Following are the most cited tips investors provided about how engagement can be different and better.

1 Seize the strategic opportunity to listen, learn and avoid surprises at the annual general meeting (AGM)

Investors said one of the biggest differentiators of effective engagement is when companies are actively listening and using engagement conversations to fully understand shareholders' perspectives. Investors also highlighted that they have developed extensive research and market insights through their assessment and engagement of companies. They encourage companies to take advantage of those investments and approach engagement as a strategic resource they seek to access – and approach investors as a partner with shared interests.

2 Consider more director involvement

Seventeen percent of investors said having board members directly involved in engagement conversations would be beneficial. Perspectives on this issue varied. Some of these investors want to speak with directors on a regular basis to better understand how the board is assessing relevant risks and opportunities. Others said director involvement should be limited, generally to instances when the topics under discussion are directly under the board's purview (e.g., how the compensation committee is overseeing human capital management) or when investors have specifically requested to speak to the board (which can be an escalation tactic investors use when they feel their concerns are not being heard). A few investors urged that companies should be cautious about involving directors in engagement without

adequate preparation. Finally, when directors are not part of the engagement, some investors said there can be a level of skepticism that the conversation is filtered and misrepresented to the board. Management making clear to the investors during engagement conversations how they are communicating shareholder feedback up to the board can provide some reassurance. (See also [Four ways boards can demonstrate oversight of ESG.](#))

3 Optimize the opportunity through planning, preparation and maximizing time for open discussion

On a practical note, investors encouraged companies to prioritize efficiency and productivity by having mutually agreed agendas and the right subject matter experts online, sharing pre-read materials and prioritizing open discussion within the boundaries of Reg FD, reviewing investors' publicly disclosed views in advance and treating engagement as an ongoing conversation that builds on (rather than rehashes) prior discussions. Investors also encouraged companies to maintain the convenience and connection offered by video conferencing as the pandemic subsides, and consider the overall tone and leadership style of the individual leading the engagement.

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4 Consider opportunities for collaborative engagement and new engagement avenues

Some investors encouraged companies to consider opportunities for more collaborative engagement and new engagement avenues to help them connect with key investors beyond their top holders (e.g., periodic deep dives by topic via a virtual format, using virtual meeting breakout rooms to directly interact with a small group of investors). Some investors pointed to stakeholder working groups on specific ESG or sustainability reporting topics, recognizing these collaborations as having investor engagement benefits as well. Some also encouraged companies to optimize the annual shareholders meeting (particularly the question and answer portion) as an opportunity to hear feedback and talk through how the company is progressing on various topics of interest.

5 Be forthcoming about challenges and how the company is investing in solutions

A key theme of our conversations this year has been investors wanting companies to be more forthcoming about the challenges they are facing. Several investors cited the extraordinary challenges ahead to reach net-zero climate goals, which the investors are also facing. They said they understand that no one knows how to get there yet but want

to see that companies are moving in the right direction, noting that the investors themselves are on this journey and learning alongside them. Some investors said they especially want to understand how companies are pushing themselves to think creatively and innovate. For example, if a company doesn't think it is economically feasible or practically viable to reach the sustainability goals investors are pushing for, investors want to understand what is needed to make that goal practical and viable and what management is doing to help make that happen, including considering collaborations, investments and the impact of the companies' policy activities.

Beyond these tips, around 5% of investors told us that given the increasing volume of engagements and the limitations they're facing in terms of internal resources and capacity, they are starting to turn down more company engagement requests. These investors are pursuing more targeted engagements where they have concerns they want to get resolved and feel they have the opportunity to influence the company. Some of these investors pointed out that while engagement opportunities may have narrowed for some companies, investors have increased the transparency of their policies and expectations, and companies that are concerned about potentially getting a negative vote can often find the answers they need in investors' voting guidelines.

Key board takeaways

- ▶ Approach engagement as a key information resource for understanding investor perspectives on the company's strategy, risk management and governance; consider how the tone and substance of engagement conversations are meeting investor expectations for more candor, responsiveness and solution-focused discussion
 - ▶ Make clear that there is an open line of communication from investors to the board, both through involving board members in engagement conversations as appropriate and also by providing more transparency around how investor feedback to management is reaching the board level
 - ▶ Encourage management to approach engagement meetings with a stronger view toward efficiency and productivity
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Looking ahead

Investors are embracing votes against directors to escalate their stewardship on climate risk and other ESG priorities, while the SEC's new universal proxy rules will give investors more flexibility in choosing the directors they want to support. These developments should drive increased board attention to director skills and competencies around the material ESG risks and opportunities facing the business. With investor skepticism high, companies have an opportunity to advance beyond broad statements and commitments by disclosing meaningful ESG targets and metrics. These disclosures and strategic investor engagement can help demonstrate authenticity and build trust.

Questions for the board to consider

- ▶ How is the board proactively challenging and refreshing its composition, oversight structures and practices to adapt to new and evolving risks and opportunities related to material environmental and social matters? Is the board staying nimble and adaptative as the business environment continues to transform?
- ▶ How is the company helping to provide solutions that meet changing market needs and stakeholder expectations in the current and future business environment?
- ▶ Do the company's public statements, commitments and values align with its workplace and supply chain policies and practices, capital allocation, political and lobbying spending, and public policy activities? How is the board overseeing, and the company communicating, this alignment?
- ▶ Does the current board have the skills and ongoing training needed to position it for oversight of strategy and risk management related to business-relevant ESG risks and opportunities? How do the board's succession planning and evaluation practices support ESG oversight needs, and do the company's disclosures effectively communicate the board's strengths and goals in this area?
- ▶ Do the company's governing documents and disclosures make clear where ESG oversight responsibilities lie at the board and senior management levels and give color to how the board and its committees execute that oversight?
- ▶ Are the company's disclosures fit for purpose given current stewardship priorities, investing trends and related investor data needs? What disclosure controls and procedures underpin nonfinancial disclosures, and how are they assured?
- ▶ Is the company approaching investor engagement as a compliance exercise or as a strategic opportunity to understand shareholders' views of the company and learn about potential emerging risks and opportunities from an external stakeholders' perspective? How is it enhancing engagement practices to optimize the efficiency and productivity of those interactions?
- ▶ How could the board's role in overseeing and directly participating in investor engagement be enhanced? Are directors able to have substantive discussions about the company's strategy relative to material ESG factors and how the board's oversight is conducted? If not, why?
- ▶ How is the board learning about shareholder proposals trends and proactively considering how the company is addressing the concerns and requests raised by proposals that are gaining traction in the market?
- ▶ How will the company's next annual general meeting demonstrate management and the board's receptivity and engagement with investors?

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US SCORE no. 15036-221US

CS no. 2201-3946912

ED None

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