

Should You Create a Standalone E&S Board Committee?

Given the heightened interest in sustainability, in social issues, in workforce issues, some companies have moved oversight of their company's activities in these areas to a standalone board committee. Is that necessary? Is that overkill?

It depends.

For many companies, I think they'll find that issues tied to E&S are touching the lives of each of their existing board committees in one way or another. Audit committees will have to deal with internal and disclosure control issues for the ESG reporting that the company does. The compensation committee may be tying executive pay – maybe even board pay – to ESG-related metrics.

The governance committee is likely focused on recruiting board candidates that bring greater diversity or environmental or social expertise to the board. And oversight of risk management – for whatever board committee handles that important task – relates to ESG issues for the company.

So having a standalone board committee might not make sense.

It reminds me of back in the late '90s when the Internet was new and companies began to build departments related solely to online activities. My title at RR Donnelley in the early aughts was "Director of Internet Strategy." This kind of demarcation became obsolete in a flash as the Internet quickly penetrated nearly all facets of society.

I think that's what will happen with E&S. Particularly the "E."

Climate and sustainability are so important right now – and will continue to be so for the foreseeable future – that it wouldn't surprise me if it's a standing item on the regular board meeting agenda before long. The pervasiveness of the topic could mean that it would be a critical board function to oversee it, not something assigned to any one committee.

Another big consideration is whether the board can stand to have another board committee. Would a new committee mean that a bunch of new directors would need to be recruited for the board because the bandwidth of existing directors is already at capacity? Would the board grow to be too large and perhaps less manageable? These are questions that should be asked.

And of course, you have the human dynamics of the boardroom. The turf wars. Which committee will oversee what? "What, this committee doesn't want to oversee *that!*" Board culture will change over time depending on the personalities, but you have to live with what you have at the moment.

Regardless if the board decides to create a new committee or not, this would be a good time to reconsider the existing board committee charters, as well as the corporate governance guidelines, to see if some refreshing is necessary to update them to demonstrate how the board and the committees are divvying up board oversight of E&S.

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