



# Governance terms you need to know in **ESG**



## Code of Conduct

Definition: Formal guidelines outlining ethical expectations for employees.

Example: Rules around accepting gifts from vendors and third-parties.

## Transparency & Disclosure

Definition: Open reporting of financial and non-financial performance.

Example: Disclosing CEO-to-median-employee pay ratio and DEI metrics.

## Risk Management

Definition: Frameworks used to identify and mitigate business risks.

Example: Conducting climate scenario analysis to assess physical climate risks.



## Conflict of Interest

Definition: A situation where personal interests interfere with professional duties.

Example: A board member approving a contract with a company they own.

## ESG Oversight

Definition: Governance mechanisms to monitor and manage ESG strategies.

Example: A board sub-committee dedicated to ESG progress tracking.

## Supply Chain Governance

Definition: Policies ensuring ethical practices across vendors and partners.

Example: Conducting audits of suppliers for labor rights compliance.



# Executive Compensation

Definition: How company leaders are paid, including bonuses, stock options, and incentives.

Example: Long-term incentive plans linked to shareholder value.

# ESG Linked Remuneration

Definition: Tying executive pay to ESG performance metrics.

Example: Bonuses based on reducing GHG emissions, improving gender diversity.

# Audit Committee

Definition: A sub-committee responsible for overseeing financial reporting and disclosures.

Example: Reviewing internal audit findings before they are presented to the board.



# Internal Controls

Definition: Systems to ensure accuracy in reporting and compliance.

Example: Checks to prevent unauthorized financial transactions and practises.

# Board Diversity

Definition: Inclusion of members from varied backgrounds on the board.

Example: Ensuring gender, age, and industry diversity in board composition.

# Board Independence

Definition: A board where directors are not part of management and are free from conflicts of interest.

Example: An external legal expert sitting on the board to offer unbiased guidance.



## Board Tenure

Definition: The length of time directors serve on a board.

Example: Periodic (5 years) board refreshment to bring in new perspectives.

## Succession Planning

Definition: Preparing for the smooth transition of leadership opportunities.

Example: Grooming capable internal candidates for future CXO roles

## Shareholder Rights

Definition: The entitlements that shareholders have, such as voting on major issues.

Example: Shareholders voting on a proposed merger and acquisition (M&A)



# Proxy Voting

Definition: Voting on behalf of shareholders who can't attend meetings.

Example: A shareholder appointing a proxy to vote on climate-related resolutions.

# Whistleblower

Definition: A formal process allowing employees to report unethical behavior confidentially.

Example: An employee reports misuse of funds without fear of retaliation.

# Anti-Corruption and Bribery

Definition: Measures that prevent bribery and unethical practices.

Example: Prohibiting facilitation payments in international operations.



## Political Contributions

Definition: Transparency in reporting donations to political entities.

Example: Publicly sharing all political donations made during the year.

## Insider Trading

Definition: Buying or selling stock based on non-public information.

Example: An executive selling shares before bad financial results are announced.

## Data Privacy and Cybersecurity

Definition: Structures that safeguard customer and employee data.

Example: Encrypting all sensitive customer and supplier information.

