Gain More ESG Oversight & Balance Board Simultaneously
by Kathy Graham

With acceptance increasing of ESG (Environment, Social, Governance) as stakeholders that a corporation needs to serve in addition to its shareholders, corporate board directors are being called on to provide risk oversight of ever more activities.

With acceptance increasing of the need for representation of diversity and inclusion at all levels of a corporation, from the entry level ranks through C-Suite and the corporate board of directors, corporations face increasing scrutiny regarding ethnic and gender composition.

Now let's add in a pandemic forcing:

- most of the U.S. to work remotely, which is enhancing individuals' abilities to use social media and digital/online tools more effectively, making each company now open to immediate Yelp-like public praise/dings (think what happened to Facebook recently, as well as to many others).
- already existing wage and health inequalities among different ethnicities to worsen, which is compounded by the continuance of long existing other social and economic ills that have not yet reached adequate resolution.

Perhaps it's time to look at an approach to address these situations simultaneously?

Let's say that the following is the current total U.S. population gender/ethnic mix as percentages:

White Men	Latinos	Black Men	Asian Men	White Women	Latinas	Black Women	Asian Women	Total Men	Total Women
31%	9%	6%	3%	32%	9%	7%	3%	49%	51%

Furthermore, let's propose that a Fortune 100 corporate board has the following gender/ethnic mix as percentages:

White Men	Latinos	Black Men	Asian Men	White Women	Latinas	Black Women	Asian Women	Total Men	Total Women
61%	3%	8%	3%	19%	1%	4%	1%	75%	25%

This example board's gender and ethnic mix is not anywhere near proportional to the percentages of each group in the U.S. population.

Rather than fighting over who retains their seat and who "retires," why not increase the size of the board in a two-step process?

1. Determine what key risks and opportunities have increased or are likely to increase as a result of COVID-19 and/or the rise of EESG. Is it safety? Internal controls? Succession planning? Whatever those key risks and opportunities are, adding another board director or several who have expertise in those areas and strengthen the board's ability to be more agile and flexible in this newest normal is sound corporate governance.
2. Determine what the ideal gender, ethnic, age, geographical distribution, etc. would be the best board mix, based upon the consumers, suppliers, future of the company, shareholders, employees, and all other stakeholders' interests. Then stay the course until the right mixture of expertise, background, and experience are found for those additional board directors.

The right mixture of #1 and #2 does exist—although the specific mixes will vary from company to company—so securing ideal board directors is totally viable, especially with the use of effective safeguards against unconscious bias and persistence in employing a multitude of search techniques.

The effort is worthwhile, given that more stakeholder cooperation, fewer negative regulatory and stakeholder reactions, and more positive outcome opportunities are the usual results emanating from increasing the range of both board risk oversight and diversity.