

The Role of Secretary in ESG

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Introduction

Globally, new requirements for environmental, social and governance disclosures are being introduced. Voluntary reporting frameworks are rapidly transitioning into mandatory reporting in many parts of the world. According to KPMG International's Survey of Sustainability Reporting 2020, 80% of the world's 250 largest companies now report on sustainability, while sustainability reporting in the Asia Pacific has grown by 6 percentage points since 2017 to 84%. Amidst such a rapidly evolving landscape in the environmental, social, and governance disclosure, the Company Secretary has a role to play. Positioned with a bird's eye view of all organisational and board practices, the Company Secretary can support internal efforts to drive the ESG changes and collaborate with the Board and relevant departments including the Chief Sustainability Officer (CSO) or the ESG function.

ESG is an increasing strategic and regulatory concern for private companies. A successful ESG strategy can help maximize value and strengthen relationships with a company's stakeholders including consumers, employees, existing shareholders and potential investors. While "ESG" covers environmental, social and governance considerations,

good governance provides the foundation. Integral to good governance is having internal controls that promote transparency, accountability, and the monitoring of risks to avoid mismanagement and regulatory sanctions. This article explores how company secretaries can effectively support a company's ESG strategy.

The roles of company secretaries in ESG

Although the Companies Act has exempted certain companies from having a company secretary, some have chosen to do so. It is often the case that the role of company secretary is combined with the role of general counsel or across an in-house legal team, and both roles fulfil an important function in advising and supporting the Board. Typical responsibilities include:

- Guiding the board on their responsibilities.
- Sharing information within the board and between senior management and non-executive directors and shareholders' views.
- Developing and overseeing internal systems to ensure compliance with a company's legal requirements.
- Monitoring changes in legislation and relevant regulations.
- Overseeing the day-to-day administration of the company to allow directors to focus on overseeing business strategy and operations.

In view of the above responsibilities bestowed on a company secretary, he/she can support the ESG agenda in the following ways;

◆ ***Awareness of trends and best practices***

As the custodians of corporate governance within a company, company secretaries must educate the board on governance developments and advise on their impact on a company's business strategy, such as the risks arising from climate change, energy sustainability and wider stakeholder management with customers and suppliers. While non-listed companies are not currently subject to the mandatory ESG reporting requirements, companies should start to focus on building the good governance foundations to be prepared for future regulation. A company secretary should therefore look to build their knowledge of ESG, regularly monitor regulatory and legal changes and research how other (and particularly similar) organizations are approaching the subject. Given the many different parts of a business company secretaries regularly interact with, they can enable an internal joined-up approach to ESG.

◆ ***Relationship with the board***

A company secretary should ensure that ESG is a standing item on board agendas and that ESG-related responsibilities are integrated into a board's decision making. This could include the introduction of director development programmes such as sustainability-related training and keeping the board informed on shareholders' and other stakeholders' views on ESG. The company secretary should also play a lead role in the implementation of ESG governance, an example of this being the establishment of a dedicated committee of the board to manage

a company's ESG objectives, and who can help on setting the terms of reference for the ESG committee.

◆ ***Disclosure and reporting requirements***

Company secretaries will assist with preparing a company's annual report, including the director's report. As internal and external stakeholders such as investors and consumers are increasingly looking towards annual reports to gain an understanding of a company's ESG strategy, small and medium-sized businesses are focusing on sustainability and energy consumption reporting, alongside how they engage with their employees, business partners and suppliers as part of the directors' report. Those supporting the board can play an important role in monitoring business performance and key events over the course of a financial year to ensure the directors' report reflects the steps the company has taken to engage with its stakeholders.

◆ ***The corporate strategy***

Company secretaries should consider how ESG is incorporated into their company's long-term strategy. This could include creating an ESG roadmap to set out planned ESG initiatives to be employed by the company. This roadmap would include the governance structures, policies, and procedures to monitor and respond to the ESG related risks and opportunities.

Conclusion

While not all company secretaries will currently regard their role as being strategic within their company, the traditional

image of company secretaries as the “Guardians of Governance” or the general counsel as the “Conscience of the Business”, has never been more important. Such individuals are perfectly placed to support and encourage good governance practices, through which a company’s ESG objectives can ultimately be promoted.

In summary, the role of the company secretary in ESG is critical for ensuring that the company operates in a responsible and sustainable manner. By prioritizing ESG considerations and integrating them into decision-making processes, companies can not only meet regulatory requirements but also build trust with stakeholders, improve their reputation, and contribute to a better world.