Board Oversight of Sustainability Issues

A Study of the S&P 500

Authored by

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The **Sustainable Investments Institute (Si2)**, a nonprofit organization based in Washington, D.C., conducts impartial research and publishes reports on corporate and investor responsibility issues. Si2 closely follows shareholder resolutions and provides tools and in-depth reports that enable investors to make their own informed, independent decisions on the contentious public policy issues raised during proxy season. Si2 also conducts research into emerging sustainability issues to better help investors and the general public understand the implications they hold for companies and their key stakeholders. www.siinstitute.org

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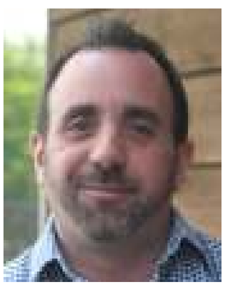

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I. Executive Summary

Background: Board oversight has long been viewed as an effective mechanism to direct and monitor corporate management. For example, in the wake of accounting scandals last decade, the Sarbanes-Oxley Act of 2002 requires all publicly traded companies in the United States to have an audit committee comprised of independent directors, charged with establishing procedures for handling complaints regarding accounting or auditing matters and for the confidential submission by employees of concerns surrounding alleged fraud.

While sustainability has been a concern of corporations and investors for years, there has been little research focused on how boards oversee a company's sustainability efforts. Sustainable and responsible investors also have seen board oversight as an effective way to encourage corporations to accelerate such efforts; they began filing shareholder proposals requesting board oversight of various sustainability issues in the 1970s, and both the numbers of resolutions and the support those resolutions have received have grown exponentially since. It is worth noting that one such model proposal, formulated by The Center for Political Accountability (CPA) and requesting board oversight of political spending in addition to key disclosure features, accounts for the vast majority of sustainability shareholder resolutions on board oversight and resulted in political spending being a top subtopic of board oversight duties.

Sustainability reporting standards also emphasize board oversight, including the Global Reporting Initiative (GRI) guidelines, the International Integrated Reporting Council (IIRC) framework and the Carbon Disclosure Project (CDP) annual questionnaire. By asking companies to disclose on key topics, these organizations also have successfully encouraged companies to consider broad board oversight of sustainability issues and likely have convinced many to create such governance features.

Findings: The Sustainable Investments Institute (Si2) sought to take a snapshot of board oversight of sustainability issues among S&P 500 companies. Following Sarbanes-Oxley requirements, all companies addressed financial fraud and ethics in their audit committees, and, therefore, technically all had some form of sustainability oversight. Focusing solely on voluntary efforts and on environmental and social issues, Si2 finds that 55.4 percent of S&P 500 has board oversight of sustainability issues.

Other headline findings are:

- Companies with oversight of environmental and/or social issues most often chose the corporate governance/nominating committee to undertake this task (34 percent).
- Social issues (55 percent) were more often covered by board oversight structures and policies than environmental topics (33 percent).
- Political spending was the most frequently mentioned subtopic (42 percent), followed by health and safety (21 percent), workplace diversity (9 percent), human rights (4 percent) and climate change (2 percent).
- Companies' committee charter text explaining oversight duties covering sustainability issues varied widely from very concise and high level to extremely detailed.
- Most companies with board oversight of sustainability issues have established independence standards for those committees (81 percent) and permitted them to hire outside counsel, advisors and experts at their discretion to fulfill duties (92 percent). However, only 5 percent had set explicit sustainability expertise standards for members of these committees.

- The paper and forestry (100 percent), healthcare services (93 percent), oil and gas (81 percent), utilities (80 percent) and aerospace and defense (80 percent) industries were the most likely to have board oversight of sustainability issues, while the real estate (29 percent), construction and engineering (33 percent), technology hardware (33 percent), retail (34 percent), industrials (35 percent) and media (35 percent) sectors were the least likely.
- There was a very strong correlation between company size, as measured by revenue and net income, and rates of board oversight of sustainability issues. Top quintile companies by revenue were more than three times more likely to have board oversight of environmental and/or social issues than those in the bottom quintile.

Organization: This report is divided into 10 sections. In addition to this executive summary (Section I):

- Section II reviews the study's **design and method**.
- Section III covers the history of **shareholder campaigns** on board oversight of sustainability issues and sets out how these resolutions in part explain the results of this study.
- Section IV walks readers through sustainability **reporting standards** and the ways they require disclosure of board oversight of sustainability issues as well as their potential influence on the results.
- Section V looks at the **board committees** companies chose to task with board oversight of sustainability issues.
- Section VI parses the sustainability **issues** most often cited in board charters and other disclosures on board oversight. This section reviews examples of language from companies' board committee charters.
- Section VII examines committee **features**, namely independence and expertise standards for board committees with oversight of sustainability issues, as well as their ability to hire outside counsel, advisors and experts to fulfill their duties.
- Section VIII provides **industry** trends.
- Section IX analyzes correlations between **revenue and net income** and companies with board oversight of environmental and social issues.
- Section X suggests areas for **future research** on this subject.

II. Study Design and Method

Universe	Documents Reviewed
S&P 500	Board Committee Charters Sustainability Reports Sustainability Sections of Websites

The following section gives a brief overview of the companies studied and method deployed in collecting and categorizing data for this study.

Universe: Si2 examined the governance practices of the S&P 500 for this study. This cohort of companies has received the most shareholder resolutions requesting board oversight of various sustainability issues. While the S&P 500 is a standard research set, there can be no guarantee that trends in the S&P 500 are likely true for smaller firms or for those outside of the United States.

Industry classifications, revenue and net income data: Si2 used the Global Industrial Classification System (GICS) six-digit system to classify companies by industry sector and collected revenue and net income data from 10-K filings.

Documents: Si2 reviewed each company's board committee charters for evidence of oversight of sustainability issues. Si2 also looked at each company's sustainability report or, if unavailable, sustainability portions of the website to see if the company mentioned that the board-at-large or a specific committee had responsibility for oversight of sustainability issues. In a handful of instances, companies' committee charters did not detail any oversight of sustainability issues, but the companies' sustainability reports did. Si2 did not view external corporate documents, such as questionnaires filed with the Carbon Disclosure Project (CDP).

Issues: Companies needed to directly reference an issue or discuss it plainly in context to make it clear it was covered. So, for example, companies had to state "human rights" or talk about supplier labor practices, indigenous peoples' rights or related human rights topics such as child or forced labor for human rights to be considered a topic of board oversight. Likewise, companies had to mention climate change or global warming or discuss greenhouse gas emissions or renewable energy targets for climate change, rather than the environment generally, to be considered a specific focus of board oversight. More general or implied oversight, as might be suggested by a statement of covering critical environmental issues, for example, meant the study found there was board oversight of a general environmental nature, but not of one or more specific subtopics. There were two general categories—environmental and social. Companies received recognition for either if they were mentioned by name or if a subtopic was noted in the committee charter. For example, if a company charged a board committee with oversight of waste management, Si2 considered the oversight to extend to the environment generally. Those companies noting "sustainability" oversight were marked off in both the environmental and social categories.

Ethics: The Sarbanes-Oxley Act of 2002 requires the audit committee of all publicly traded companies in the United States to establish procedures for handling complaints regarding accounting or auditing matters and for the confidential submission by employees of concerns surrounding alleged fraud. Many companies intertwine this responsibility with the oversight of ethics more broadly to include reviewing the adequacy and ensuring the enforcement of ethical codes of conduct. Therefore, when discussing board oversight of sustainability issues, this study focused on voluntary efforts to review other areas under the broad umbrella of sustainability and particularly those covering environmental issues (including climate change, environmental management, spills, waste, toxics, product toxicity and sustainable design) and social topics (including worker health and safety, human rights, workplace (but not board, see below) diversity, political spending and stakeholder relations). Therefore, the study finds that 55.4 percent have board oversight features covering sustainability topics above and beyond that required by law. Obviously, if the required Sarbanes Oxley audit responsibilities were included, the result would be 100 percent.

Board diversity: Recent regulation also has changed the disclosure and board oversight landscape for board diversity. The U.S. Securities and Exchange Commission (SEC) approved a rule in December 2009 on Proxy Disclosure Enhancements, effective February 2010. Among other features, the rule requires companies to disclose in their proxy statements whether diversity is a factor in considering candidates for nomination to the board of directors; how diversity is considered in that process, including any written policies addressing board diversity; and how the company assesses the effectiveness of its policy for considering diversity. As a result, all board committees charged with finding director nominees need to address board diversity, even if it is to say that the company has no policy in this area. As a result, most have formalized this process and note this duty in board committee charters. Again, the study focuses on *voluntary* oversight of sustainability issues at the board level. Board diversity therefore was not considered for this study.

Number of committees: Si2 counted the number of board committees for each company to see if there was a correlation between board oversight of sustainability issues and high numbers of committees.

Independence standard: If Si2 found a company's board committee had oversight of specific sustainability topics, it also looked for an independence standard for the committee. For example, did the board require the entire or a majority of the committee to consist of independent directors? Si2 also determined if the company defined independence using its own corporate governance guidelines or referred to listing requirements for an exchange.

Expertise: Sarbanes-Oxley necessitated financial expertise standards for audit committees. In the same spirit, Si2 investigated the extent to which companies sought out various forms of sustainability know-how for committees charged with this type of oversight.

Advisors: Si2 evaluated committee charters with oversight duties for sustainability issues to see if the committee also had the authority to hire outside counsel and experts.

Sustainability reporting: Si2 reviewed sustainability reports to see if they mentioned board oversight functions for sustainability that did not appear in committee charters. There was, however, a secondary objective—to discover if companies with board oversight of sustainability issues were more inclined to issue sustainability reports. The study categorized sustainability reporting efforts into four groups: reporting without boundaries on websites consisting mainly of policies, standalone reports with time boundaries and at least one quantitative metric, Global Reporting Initiative (GRI) reports and associated version of GRI and reporting levels, and integrated financial and sustainability reports.

III. Shareholder Campaigns

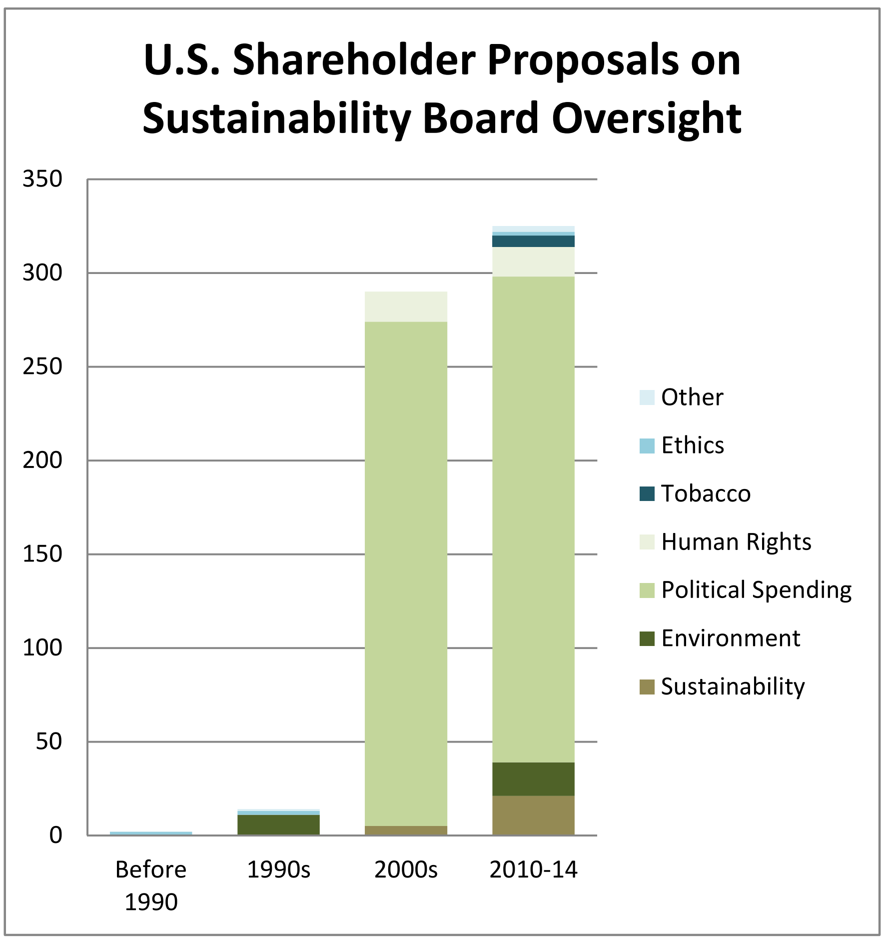
S&P 500	Targets of Shareholder Proposals
55%	80%

Shareholder proposals on board oversight of sustainability issues began showing up on proxy ballots in the 1970s. Two proposals from Calvert Investments in 1978 asked Firestone Tire and Rubber and Goodyear Tire and Rubber to create board ethics committees and received modest support of 4.2 percent at Firestone and 3.6 percent at Goodyear. Requests for environmental experts, committees and general board oversight hit proxy ballots sporadically during the following two decades. Then the landscape changed dramatically.

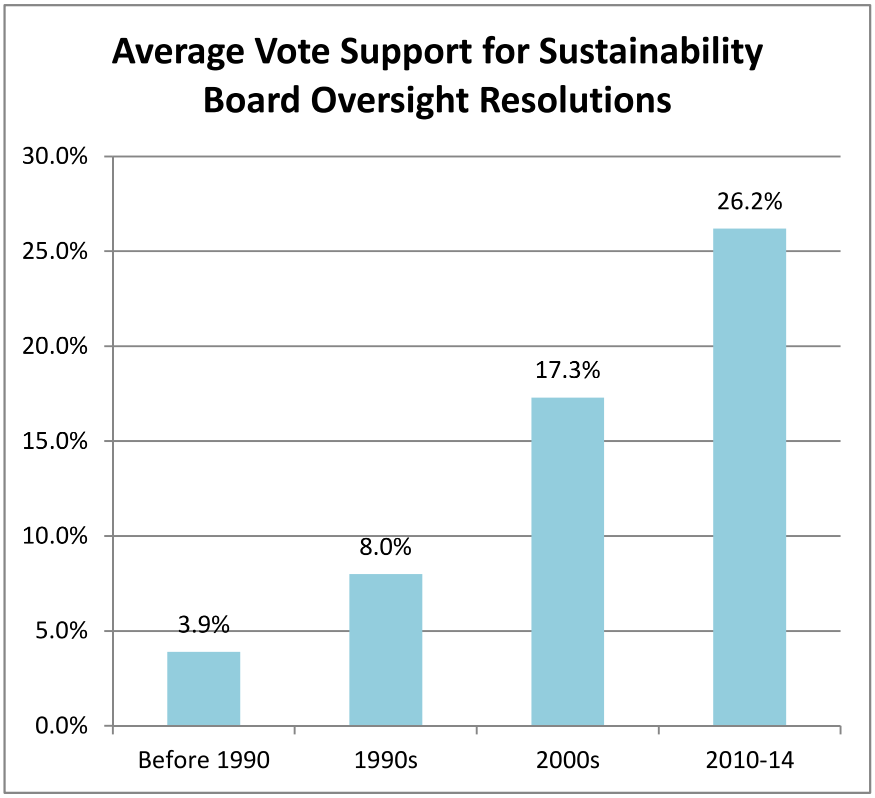
The non-profit Center for Political Accountability (CPA) formed in 2003 and began coordinating the filing of resolutions on political spending, including a request that political spending receive board oversight and approval. There were close to 270 model CPA resolutions with this type of request filed by CPA's investor partners during the 2000s. Also during this decade, shareholders began to see the first requests for board oversight, many requesting committees, of sustainability and human rights.

These trends are continuing in this decade, which so far has seen 259 model CPA proposals requesting board oversight of political spending (among other steps on disclosure in this area), 21 resolutions requesting board oversight of sustainability issues and 16 asking for board committees on human rights, 18 on environmental experts and committees and a handful of other related resolutions.

Investor support for these types of resolutions also has risen steadily over the decades from an average of 3.9 percent before 1990 to 26.2 percent in the period from 2010 through 2014. Support levels today are more than six times what they were before 1990.



The exponential increase in the volume of resolutions and support for them point to growing investor interest in this area and was one of the principal reasons for this study. The largest growth has been in the area of board oversight in political spending, especially the wake of the *Citizens United v. Federal Elections Commission* in 2010. As reviewed in Section VI on issues, political spending oversight was the most frequent subtopic chosen by companies for board oversight (42 percent of companies in the S&P 500 had it), which also speaks to the success of CPA's campaign.



Si2 also compared S&P 500 companies that had been targeted by shareholder proposals on board oversight of sustainability issues with those that had never received these types of resolutions and found (as noted in the table at the beginning of this section) that 80 percent of the targeted firms had board oversight of sustainability issues, much higher than the 55 percent average for the S&P 500 and the 38 percent for those companies never receiving proposals on this topic. Whether the causation was a reaction to the resolution, or whether the company was in an industry likely to be sensitive to political spending issues and adopted oversight on its own was not determined.

IV. Reporting Standards

S&P 500	GRI Reporters	Integrated Reporters
55%	57%	75%

In addition to the shareholder campaigns described in Section III, stakeholders have created widely used sustainability reporting frameworks. Two prominent ones are the Global Reporting Initiative (GRI) guidelines and the newly unveiled International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC). Both GRI (57 percent) and integrated reporters (75 percent) were more inclined than the S&P 500 (55 percent) to have board oversight features covering sustainability topics, although GRI only by a few percentage points. Still, it lends some support for the saying that what gets measured (and reported) gets managed (or overseen in this case).

The Global Reporting Initiative (GRI): As part of its latest version, "G4," GRI requires companies to disclose, among other criteria, the role of the board in:

- Setting the organization's purpose, values and strategy.
- Risk management.
- Sustainability reporting.
- Evaluating economic, environmental and social performance.

GRI's earlier iteration, G3/3.1, had somewhat similar indicators:

- "Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics."
- "Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles."

The International Integrated Reporting Council (IIRC): Founded in August 2010, the IIRC released its International Integrated Reporting Framework in December 2013. It contains guidance for companies to report on board oversight of sustainability issues by describing how the organization's governance structure:

- Supports its ability to "create value in the short, medium and long term."
- Makes strategic decisions weighing risks and mechanisms addressing integrity and ethical issues.
- Ensures its culture, ethics and values "are reflected in its use of and effects on the capitals, including relationships with key stakeholders." Readers should note that the "capitals" include financial, manufactured, intellectual, human, social and relationship, and natural (the environment and natural resources) forms of value.
- Exceeds legal requirements.

The Sustainability Accounting Standards Board (SASB): SASB was launched in July 2011. SASB has taken the approach of analyzing, industry by industry, the most material sustainability risks for companies. It then develops indicators for financial reporting, arguing that they are material and therefore should be included in the 10-K Annual Report filing at the Securities and Exchange Commission. It has been a champion of integrated reporting, like the IIRC, and is helping to shape the sustainability reporting landscape in the United States.

CDP (formerly known as the Carbon Disclosure Project): British Prime Minister Tony Blair launched London-based CDP in 2000. It is a non-profit charity supported by foundations, governments and companies. It emphasizes its partnership model, highlighting strategic relationships with Accenture for climate change data and reporting, PricewaterhouseCoopers for analysis, Microsoft and SAP for its software platforms, and a range of country partners. It has developed a global network of organizations, companies and governments that seek a unified response to climate change. CDP collects information from the world's largest companies on their greenhouse gas emissions and climate change strategies, but it also has expanded in the last couple of years to include water and forests. CDP has the backing of 767 institutional investors with a total of $92 trillion in assets under management.

One of the questions on CDP's flagship carbon questionnaire asks if companies have board or executive level oversight of climate change issues. Its 2013 questionnaire found that 92 percent of the 334 respondents in the S&P 500 had such oversight—307 companies (61 percent of the entire S&P 500). CDP, however, did not break out oversight by board and senior management. The levels of oversight CDP found are far higher than those reflected in Si2's study—33 percent for the environment, which could be construed to include climate change, and 2 percent that specifically mentioned climate change. Several factors may explain the discrepancies. First, companies are generally far more likely to charge management with oversight of sustainability issues, and particularly climate change, than to elevate it to the board level. Second, many companies' committee charters are broadly drafted, rather than getting into specifics. Finally, there may be self-selection bias at work in that respondents to the CDP may be amongst the more environmentally conscious. (NB: Si2 did not review corporations' CDP questionnaire responses in compiling results.)

V. Committee Choice

Public Affairs/ Sustainability	Nominating/ Governance	Audit	Risk	Other	Board at Large
32%	34%	10%	1%	13%	10%
Percentages above are of the subgroup of 277 Si2 identified with board oversight of sustainability issues.					

This analysis reviews the 277 companies in the S&P 500 with voluntary board oversight of sustainability issues. For each, Si2 reviewed the primary committee charged with these responsibilities to classify it as mainly sustainability focused or overlapping with governance, audit, risk or other duties. Si2 also cataloged the companies that stated that the board at large had responsibility for overseeing sustainability issues. Overall, most companies charge a governance-related committee with the task of also overseeing sustainability issues, while a close second is the practice of having a standalone sustainability-related committee assigned with oversight followed by other, audit, and risk committees in declining order of likelihood.

Public affairs and sustainability: Among the subgroup, 32 percent of the companies (89, or 18 percent overall) choose to dedicate responsibility for oversight of sustainability issues to a committee principally focused on these tasks. The names of these committees varied widely with:

- 37 including the terms "public policy", "public affairs" or "regulatory compliance" in committee names.
- 24 using the words "environment" or "environmental."
- 24 mentioning "health" and/or "safety."
- 24 containing the word "responsibility" usual in the context of "corporate responsibility" or "corporate social responsibility."
- 12 stating "sustainability" or "sustainable."

Many of these subcategories overlap.

Nominating and corporate governance: A plurality—34 percent (93 companies, or 19 percent of the total)—combine sustainability oversight with various governance functions. Of these:

- 95 mention "governance."
- 61 contain "nomination(s)," "nominating" or "nominations."
- 29 also have a sustainability-oriented moniker (and not counted in the totals in the sustainability section above). These include "responsibility" (16), public policy and/or affairs (12) and health, safety and environmental (1).

Audit: Ten percent (28 companies, or 6 percent of the total) tap audit committees to oversee various sustainability issues. All simply are named the "audit" or "audit and finance" committee, although one is the "audit and corporate responsibility" committee.

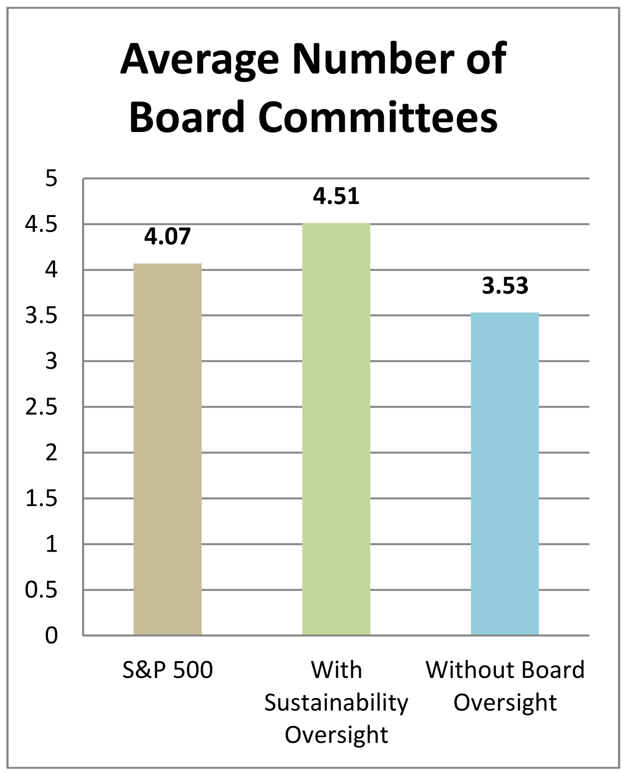
Risk: Roughly one percent of the subgroup and the total (with rounding), or four companies, place the responsibility for oversight of sustainability issues with their risk committees. Two are named risk oversight, one risk evaluation and the other finance and risk management. None mention sustainability or a related environmental or social issue in the title. Risk committees are primarily in the finance sector.

Other: Thirteen percent (36 companies, or 7 percent of the total) tap committees with other oversight roles. Most of these are focused on technology, science or product innovation (13) or operations (10). Another six house sustainability oversight functions within their "compensation" or "remuneration" committees. A handful of these "other" committees also contain the words "health" and/or "safety" (eight), "environment" or "environmental" (six), sustainability (two) and responsibility (one) in their names.

Board at large: Ten percent (27 companies, or 5 percent of the total) charge the board at large with oversight of sustainability issues.

Multiple committees: Sixteen companies have responsibility for board oversight of sustainability issues spanning several committees. Seven split duties between the audit and a nominating and/or governance committee. Another five are energy companies with separate committees focused on nuclear operations and then a separate committee covering other operations or broader sustainability risks. One company divides the tasks between domestic and international operations, while another between nominating and governance and compensation and organization. A final company divides the responsibilities between a committee focused on science, technology and sustainability and another named regulatory, compliance and government affairs.

Number of committees: The average company in the S&P 500 has 4.07 board committees. However, the 277 companies with board oversight of sustainability issues (outside of ethics and board diversity) have an average of 4.51 committees and the 223 without such explicit board oversight have a mean of 3.53 committees. *(See chart.)*



These trends play out in the extremes too. Three companies tie for having the most committees—eight each: **CME Group**, **Consolidated Edison** and **Sempra Energy**. Consolidated Edison and Sempra Energy have board oversight of sustainability issues, while CME Group does not. Six companies tie for having the fewest number of board committees (two) overall—**Berkshire Hathaway**, **Cablevision Systems**, **Diamond Offshore Drilling**, **Edwards Lifesciences**, **Genuine Parts** and the recently acquired **Washington Post Company**. None of these companies discloses board oversight of sustainability issues.

VI. Issues

Environment	Climate Change	Social	Human Rights	Health and Safety	Diversity	Political Spending
33%	2%	55%	4%	21%	9%	42%
Percentages above are of the S&P 500. As noted in the method section, credit in each category is for specific reference of or to the issue.						

Si2 parsed each instance of a committee charter or reference in sustainability report to board oversight of environmental and social issues to see which issues were mentioned specifically. As noted earlier, an issue was only considered the subject of board oversight if the company specifically mentioned it. So, for example, with climate change, companies could mention climate change, global warming, greenhouse gas emissions or renewable energy. However, companies only implying oversight, by broadly mentioning environmental issues, were not considered to have mentioned climate change, but were considered to have oversight of "environmental" issues generally (although climate change oversight still might be happening). To better capture this specific/general oversight issue, Si2 established two general categories (highlighted in gray above): environmental, which covers all environmental issues including climate change and other issues like waste management, and social, which overlaps with human rights, health and safety, diversity, political spending and others. For example, companies automatically were counted as having coverage of "social" issues if they had board oversight of diversity. *(See the Study Design and Method section earlier for more information.)*

Overall, Si2 found that companies are more inclined to task boards and board committees with oversight of social (55 percent of the S&P 500) than environmental (33 percent) issues. As a subgroup, political spending tops the list, followed by health and safety, diversity, human rights and climate change.

Environment: Thirty-three percent (166 companies, or 60 percent of the subgroup of companies with sustainability oversight) require oversight of environmental issues. Companies tend to refer to environmental oversight broadly and do not mention specific issues related to the environment, such as climate change or water use.

The level of detail in the board committee charters on the scope of environmental oversight varies widely, with some apparently seeking the maximum amount of flexibility for committees while others specify key oversight tasks. For example, **Automatic Data Processing** has only one sentence regarding board oversight of sustainability issues in its board committee charters. It appears in the company's nominating/corporate governance committee charter and says the committee is to "oversee the Company's policies and programs on issues of corporate citizenship, such as environmental sustainability, philanthropic and political activities, and any related expenditures." ADP gives no further details.

By contrast, **Mosaic** is concerned about ensuring board oversight of policies and management systems, performance, related administrative, regulatory and judicial proceedings, public policy strategies, product stewardship, effects on and relations with communities, disclosure and related risks. It states in its Environmental, Health, Safety and Sustainability committee charter that the committee is to:

- Oversee the effectiveness of management's systems, policies, and processes that support achieving the Company's EHSS [environmental, health, safety and sustainability] goals, commitments and compliance obligations.
- Conduct an annual environment, health, and safety management system review. The management system review shall include a discussion of significant policies and programs including the scope and plans for conducting environment, health, and safety audits; and a review of the Company's procedures for the handling of EHSS related complaints and confidential, anonymous employee concerns.
- Review and discuss with management material noncompliance with environmental, health, and safety laws; and pending or threatened environmental health and safety administrative, regulatory, or judicial proceedings that are material to the Company.
- Oversee management's responses to significant emerging EHSS issues including public policy and advocacy strategies;
- Review product sustainability issues including product stewardship;
- Oversee the management of EHSS risks;
- Oversee the Company's interactions relating to EHSS matters with communities, customers and other key stakeholders;
- Review the disclosures in the Company's annual report on Form 10-K relating to EHSS matters, and periodically review other material public disclosures by the Company relating to corporate social responsibility and sustainable development…

Climate change: Only eight companies (2 percent of the S&P 500 and 3 percent of the cohort with sustainability oversight) specifically mention climate change or directly related topics in their board committee charters:

- **Ameren** says its board's nuclear oversight and environmental committee needs to "review the Company's policies, practices and performance relating to environmental affairs, including, but not limited to, the monitoring of environmental trends; and activities on climate change; compliance with applicable federal and state governmental requirements relating to the environment (e.g., reducing emissions)."
- **Citigroup** states its nomination, governance and public affairs committee is to "receive reports from and advise management on the Company's sustainability policies and programs, including the environment, climate change and human rights."
- **EQT** says its board's public policy and corporate responsibility committee needs to review "the effect of U.S. energy policy on the company's business and strategy."
- **Ford Motor** notes that its sustainability committee needs to "assist management in the formulation and implementation of policies, principles and practices to permit the Company to respond to evolving public sentiment and government regulation in the area of motor vehicle and stationary source emissions, especially in the area of greenhouse gas emissions and fuel economy and CO_2 regulation."
- **Hasbro** says its nominating, governance and social responsibility board committee, in concert with the board, is charged with reviewing and assessing the company's "policies and practices with respect to significant issues of corporate social responsibility, including, without limitation, compliance with the Company's Code of Conduct, product safety, environmental sustainability and climate change, human rights and ethical sourcing, responsible marketing, transparency, public policy matters, community relations and charitable contributions…"

- **PG&E**'s public policy committee is tasked with reviewing the company's "policies and practices to protect and improve the quality of the environment, including, but not limited to, the corporation's climate change policies and programs."
- **Wyndham Worldwide** charges its corporate governance board committee with overseeing "carbon goals, sustainability reporting, diversity, associate development and compliance."
- **Xerox** says in its sustainability report that its board at large reviews "climate risks."

Other environmental: Six companies mention a handful of other environmental issues mostly surrounding waste management and pollution prevention, with one addressing biotechnology:

- **American Electric Power**'s nuclear oversight board committee is in charge of overseeing the company's "waste policy."
- **EQT**'s public policy and corporate responsibility committee receives reports "regarding contractor performance and significant water contamination, remediation and disputes with adjacent land owners (pre-litigation)."
- **Juniper Networks**' board at large regularly reviews the company's compliance with and developments related to "the restriction of hazardous substances (RoHS) and electronic waste/recycling (WEEE)."
- **Monsanto**'s sustainability and corporate responsibility committee reviews "issues affecting the acceptance of Company products in the marketplace, including issues of agricultural biotechnology."
- **PG&E**'s public policy committee monitors "information relating to the corporation's compliance with applicable environmental and hazardous waste management standards and regulations."
- **Spectra Energy**'s finance and risk management committee assesses incident reports related to toxic spills and other "environmental incidents" and related legal proceedings, claims and contingencies. It also closely watches the company's pipeline performance and related spill data.

Surprisingly, water use, an emerging top issue for sustainable and responsible investors, is not mentioned specifically, though several S&P 500 companies do have extensive water programs.

Social: A majority of the S&P 500—55 percent or 277 companies—has some form of board oversight of social issues, and all of the companies with some form of board sustainability oversight in the 277-company subgroup charge committees or boards at large with overseeing social issues.

As with environmental issues, descriptions of these duties differ considerably from extremely concise to very detailed. For example, **Safeway** says its nominating and corporate governance board committee needs to simply "periodically review social and environmental issues affecting the Company." More terse descriptions of duties are especially common at companies that only task the board or a board committee with political spending oversight. For instance, **Staples**' nominating and corporate governance committee must "oversee the Company's political contributions."

In comparison, many other companies have far more detailed descriptions of duties for board committees. Representative of this more prolific group is **Freeport-McMoRan Copper & Gold**. It charges its corporate responsibility committee with reviewing and updating the company's:

- Human Rights Policy and monitoring reports from management regarding ongoing compliance programs relating to the policy and any reports of possible human rights violations. (It also is charged with the same tasks for the company's environmental policy.)

- Safety and Health Policy and overseeing all safety programs instituted by the company. The committee also is tasked with monitoring regular reports from management regarding ongoing compliance with such programs, as well as compliance with applicable safety laws and regulations.
- Community health programs and any public health and medical issues that may affect personnel assigned to any operating location.
- Community Policy and overseeing all governmental and stakeholder relations, and social investment and sustainable development programs, including reports on these programs from management.
- Political Activity and Spending Practices Statement and overseeing the company's "political activity and spending practices, including annual disclosure of the Company's political contributions and those of Company-affiliated political action committees."

The company also gives the committee oversight of charitable contributions, a subject beyond the scope of this analysis.

Human rights: Twenty-eight companies (4 percent of the S&P 500 and 8 percent of the 277-company subgroup concerned with social issues) charge boards and committees with oversight of human rights. In addition to Freeport-McMoRan Copper & Gold (see above), the following are exemplary of the type of language that appears on this topic:

- **Bank of New York Mellon**'s corporate social responsibility board committee regularly reviews "human rights, as reflected in the Corporation's policies and actions toward employees, suppliers, clients and communities."
- **Coca-Cola**'s public issues and diversity review committee monitors the company's "human and workplace rights policies and how the Company demonstrates respect for human and workplace rights in our business system, in our supply chain and in the communities in which we operate." Management is required to update the committee on this topic at least annually.
- **Nike**'s corporate responsibility and sustainability committee reviews, provides guidance to management, and reports to the board "on sustainability (including labor practices) within NIKE's supply chain, and review reports of NIKE's sustainability audits."

Health and safety: Health and safety win attention by boards and board committees at 103 companies (21 percent of the S&P 500 and 37 percent of the 277-company social issues oversight cohort). Most references are relatively prolific and focus on aspects of environmental, health and safety management systems. In addition to Mosaic (see above), **Baker Hughes** says its governance and health, safety and environmental board committee is responsible for reviewing and recommending "changes to the health, safety and environmental policies" and monitoring "compliance with such policies, including related legislation and regulations." It adds that the committee should regularly review the company's performance in these areas, including statistics used to measure the efficacy of the program, as well as "significant health, safety and environmental public policy, legislative, political and social issues or trends that may materially affect the business operations, financial performance, or public image of the Company or industry, and management's response to such matters."

Similarly, **Peabody Energy** asks its health, safety, security and environmental board committee to review:

- Significant risks or exposures faced by the Company in the health, safety, security and environmental areas, and steps taken by management to address such risks.
- Health, safety, security and environmental objectives, policies and performance, including processes to ensure compliance with applicable laws and regulations.

- Efforts to advance the Company's progress on sustainable development (i.e., the integration of social, environmental, and economic principles in the Company's mining operations from exploration through development, operation, reclamation, closure and post closure activities).
- Material noncompliance with health, safety, security and environmental laws, and management's response to such noncompliance.
- Environmental and mine safety disclosures required to be included in the Company's periodic reports on Forms 10-K and 10-Q.
- Significant legislative, regulatory, political and social issues and trends that may affect the health, safety, security and environmental management process and system in place at the Company and management's response to such matters.

The committee also is to advise the board at large on these matters, as well as advising the compensation committee on incentive compensation metrics related to health and safety.

Likewise, **Southwest Airlines** tasks its safety and compliance oversight committee with:

> "periodically assessing the Company's safety and operational compliance obligations and associated risks and performance relative to those standards; reviewing such policies, programs, and procedures as it shall deem necessary; meeting regularly with management of the Company to assess the Company's safety and operational compliance practices generally, including assessing the adequacy of the resources, training, communications, risk assessments, and auditing of operational processes directed towards supporting safety and operational compliance; assessing whether the Company's safety and operational compliance practices support the Company's Code of Ethics; periodically reporting to the board on the adequacy and effectiveness of the Company's safety and operational compliance programs and making recommendations to the board regarding the Company's safety and operational compliance practices generally…"

Diversity: Forty-five companies cite diversity concerns (9 percent of the S&P 500 and 16 percent of the subgroup of 277 companies with social oversight):

- **Abercrombie & Fitch** tasks its corporate social responsibility board committee with "monitoring issues and practices relating to the Company's corporate social responsibility on a global basis, including diversity initiatives and programs…"
- **Interpublic Group** gives its corporate governance committee the task of overseeing and making recommendations to the board at large on the company's "policies and practices with respect to issues of global corporate citizenship and social responsibility, including diversity and inclusion…"
- **Time Warner Cable's** nominating and governance committee "is responsible for overseeing the Corporation's position and practices on significant issues of corporate public responsibility such as workforce diversity…"

Political spending: Political spending is the single most-cited specific subtopic. Reasons for its popularity may be the a testament to the efforts of the Center for Political Accountability and its affiliates in their campaign on political spending disclosure and board oversight and/or the heightened sensitivity to the subject following a few well-publicized episodes that found companies garnering unwanted publicity for supporting candidates or groups which espoused positions contrary to corporate policy. In all, 210 companies (42 percent of the S&P 500 and 76 percent of the subgroup of 277 companies) have board oversight features covering political spending. Examples include:

- **AbbVie** has its public policy board committee view the company's "government affairs strategies and priorities, including policies for political expenditures and lobbying activities."

- **Dr. Pepper Snapple Group** gives its corporate governance and nominating committee the duty of reviewing "activities related to the Company's political action committee (PAC) and any political activities of the Company independent of the PAC."
- **ExxonMobil** says its public issues and contributions committee with regard to political spending must each year review past and anticipated "contributions budgets, proposed overall contributions objectives, policies and programs, including, as appropriate, goals and criteria, the level of corporate contributions, the subject areas to which contributions are to be made and the relative weighting thereof, and make such recommendations to the board with respect thereto as it may deem advisable." Each year, it also must review past spending to look for irregularities.

Other social: Companies also mention a few other social issues in board committee charters, including:

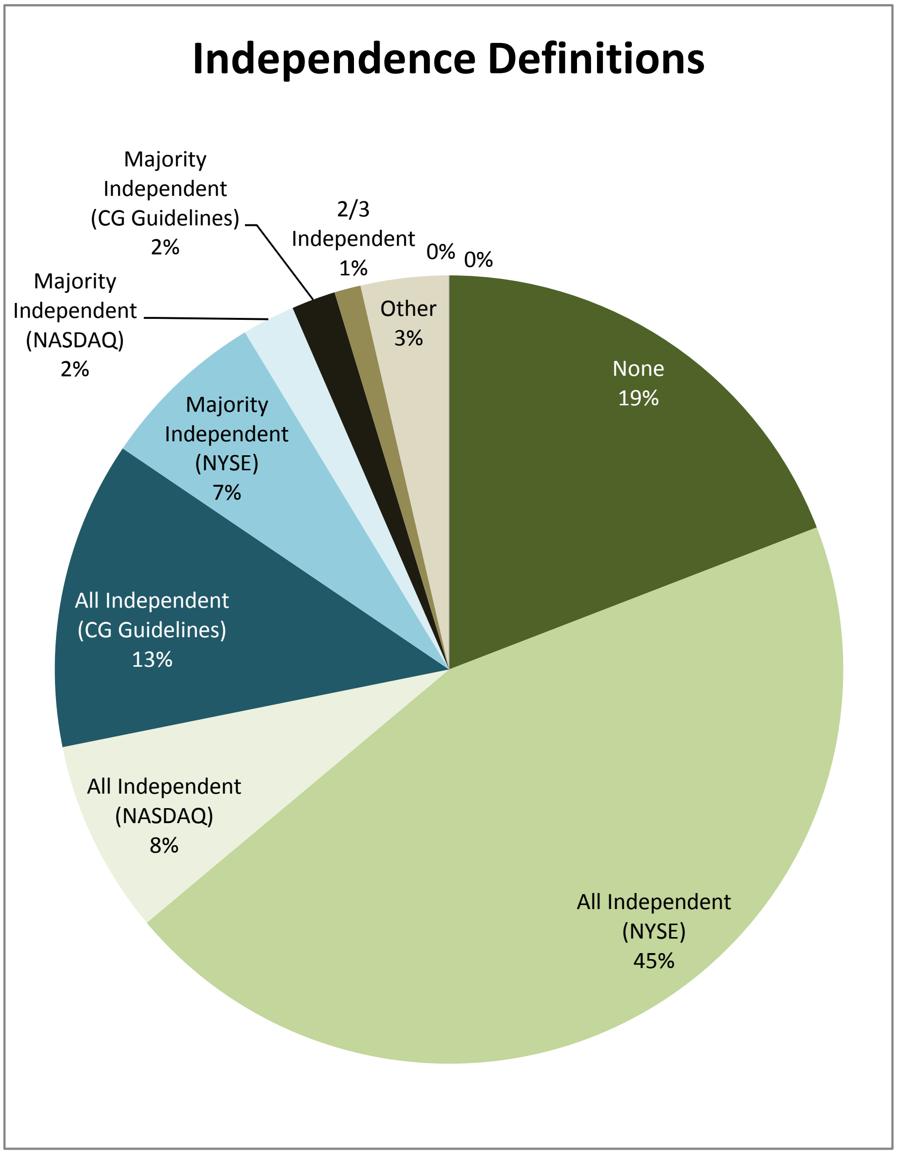
- Six firms touch upon **fair lending and/or community investment issues**, including **JPMorgan Chase**. Its public responsibility board committee is charged with reviewing the company's "community reinvestment activities…including the firm's progress under community development programs…mortgage lending activities…in light of the firm's obligations under the Home Mortgage Disclosure Act… approach to consumer practices, which may include issues of disclosures and fees and introduction of major new products, in light of reputational considerations."
- Four companies discuss **data privacy** in the context of board oversight, including **Hewlett-Packard**. Its nominating, governance and social responsibility committee is to review, assess, report and provide guidance to management on data privacy.
- Three mention **employee relations**, two in the context of plant closures. **Weyerhaeuser** has its governance and corporate responsibility provide "oversight and policy direction on…employee satisfaction," including reviewing "results and trends of the Company-wide employee satisfaction survey and Employee Issue Resolution process."
- Two include **animal testing**. For example, **Medtronic**'s quality and technology committee oversees "risk management in the area of human and animal studies, including the periodic review of policies and procedures related to the conduct of human and animal studies."

VII. Committee Features

Independence	Expertise	Advisors
81%	5%	92%
Percentages above are of the subgroup of 277 Si2 identified with board oversight of sustainability issues.		

For companies with board oversight of sustainability issues (the subgroup of 277 companies), Si2 examined three attributes of the relevant oversight structure (the relevant committee or the entire board): independence standards, sustainability expertise for members, and the ability to hire outside advisors.

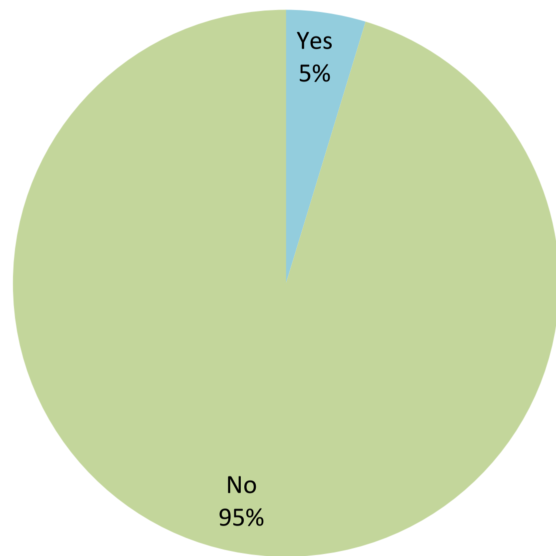
Independence: Most companies with sustainability board oversight features (66 percent) call for the committees charged with overseeing environmental and social issues to be comprised entirely of independent directors as established by the listing requirements of either the New York Stock Exchange (NYSE) (45 percent) or NASDAQ (8 percent), or their own corporate governance guidelines (13 percent). Another 11 percent choose a majority independence standard, again split between NYSE (7 percent) and NASDAQ (2 percent) listing requirements and corporate governance guidelines (2 percent), while 1 percent choose a two-thirds independence threshold. Another 3 percent are split between vaguer definitions for independence, such as non-employees and/or non-employees or officers. *(See chart.)*



Expertise: Only 13 companies (5 percent of the subgroup) have requirements for expertise (outside of financial expertise) for board committees with responsibility for sustainability issues oversight. For example:

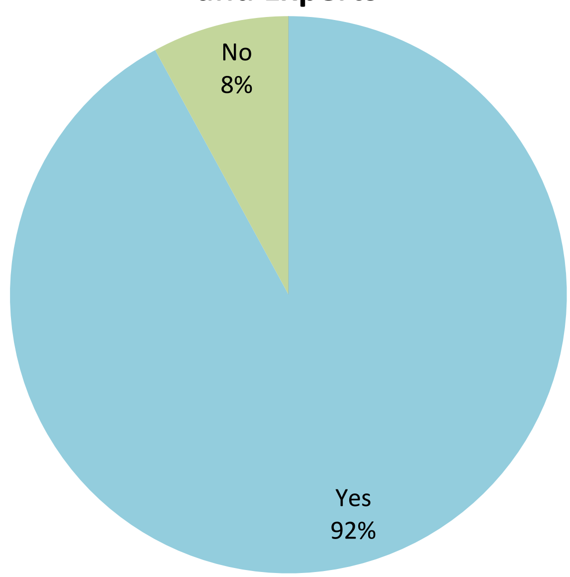
- **Halliburton** says one or more members of its board's health, safety and environment committee must "have significant experience with an energy-focused company, with a manufacturing company in the chemical, energy or materials industry, or in matters relating to health, safety and the environment…"
- **Noble Energy** says the majority of the members of its board's environment, health and safety committee must be "generally familiar with EH&S aspects of oil and gas exploration and production operations and with corporate social responsibility."
- **Xcel Energy** says "desirable qualifications" for members of its operations, nuclear, environment and safety board committee "include experience in business, utility operations, nuclear operations, environmental issues, industrial safety and other related areas."

Sustainability Expertise Standards for Committee Members



Percentages are of the subgroup of 277 companies with board oversight of sustainability issues.

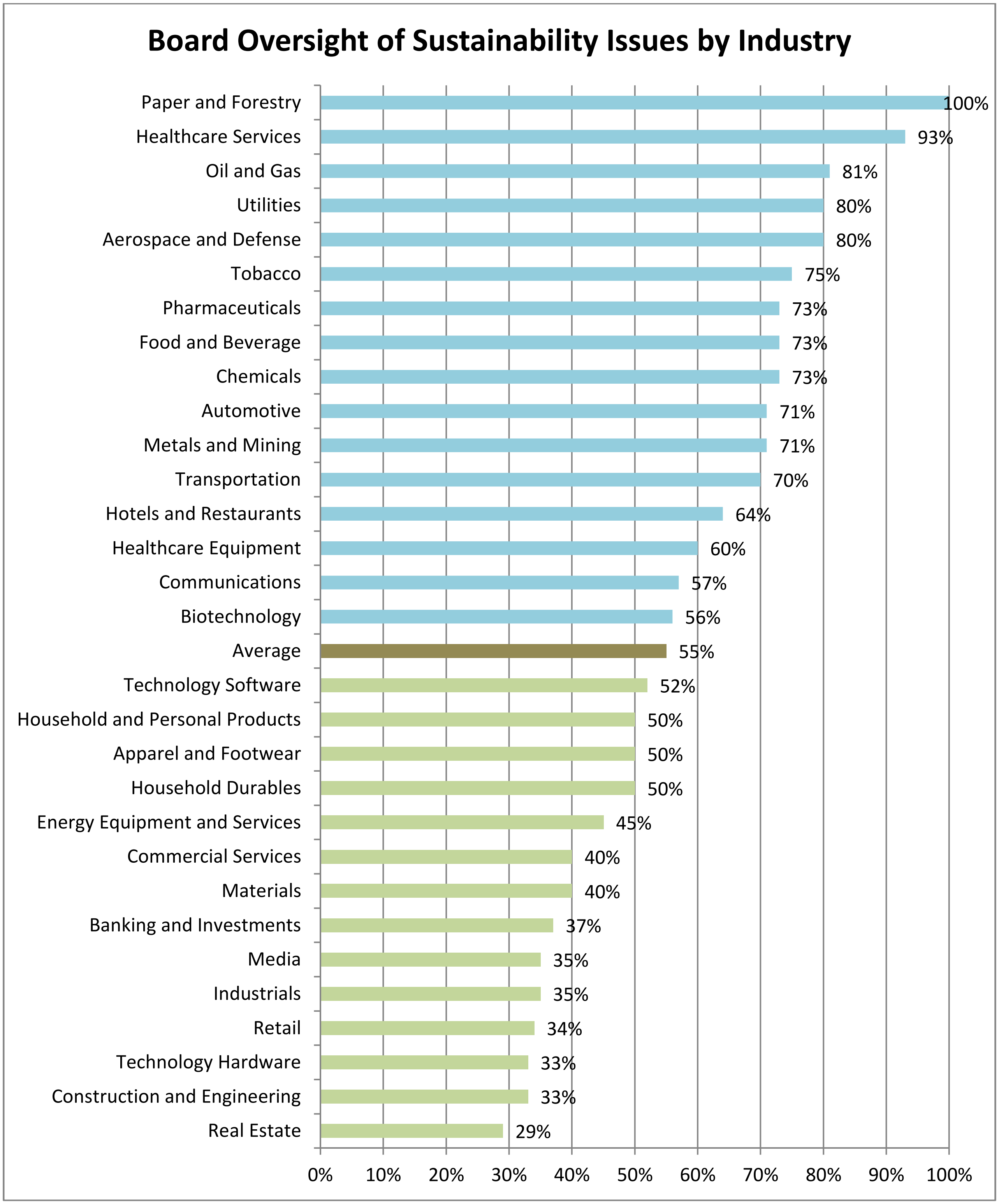
Ability to Hire Outside Counsel, Advisors and Experts



Percentages are of the subgroup of 277 companies with board oversight of sustainability issues.

Advisors: Nearly all (255 companies, or 92 percent of the subgroup) empower their committees charged with oversight of sustainability issues to hire outside counsel, advisors or experts and to pay fees in fulfilling their duties to the board at large.

VIII. Industry Trends



Overall, paper and forestry companies followed by healthcare services, oil and gas, utilities, and aerospace and defense firms are among the most likely to have board oversight of sustainability issues, while real estate companies followed by construction and engineering, technology hardware, retail, industrial and media firms are among the least inclined. *(See chart above.)*

The industry breakdown suggests that a combination of past scrutiny and industry risk exposure creates current oversight. For example, the oil and gas and utilities sectors have long been under criticism for spills, air emissions and now climate change. Aerospace and defense firms have for decades been under the microscope for their governmental dealings and the nature of their defense products, while paper and forestry companies have had to grapple with challenges to their sustainable harvesting practices, as well as recycling and related producer responsibility concerns. Similarly, concerns at healthcare services firms have focused on healthcare affordability and medical waste disposal.

But that simple rationale is confounded by the retail sector, under fire for decades for sweatshops and supplier labor and human rights issues as well as a wide range of employment and recycling practices; it is the fourth least likely to have board oversight. The same is true for technology hardware companies, which for years have battled accusations surrounding supply chain labor and human rights abuses; they now are enveloped in reporting on conflict minerals as required by Dodd-Frank. Further, industrials have been heavily criticized for environmental, health and safety management. (One technology hardware firm does have board oversight of conflict minerals monitoring and reporting.)

Healthcare services' ascension to the top five most likely to require oversight (80 percent, the highest overall) is partially attributable to constituent companies' widespread adoption of political spending board oversight. Boards of healthcare services companies might be sensitive to the importance of scrutinizing political expenditures given the high stakes in their industry for government regulation, including payments through government medical programs such as Medicare and Medicaid and the implementation of the Affordable Care Act. Nonetheless, it still leaves questions about some of the industries with fewer explicit oversight requirements.

No industries are above average for board oversight on every major issue area examined in the study, although three have above average rates of board oversight in six of the seven top issue areas. Aerospace and defense have higher than average incidence of board oversight across all issue areas, except climate change, where it has none and is at the bottom. The automotive industry has higher than average frequency of companies with board oversight of issues in all areas except human rights, where it has none and ranks lowest, a surprising outcome for an industry heavily scrutinized for its labor and human rights practices. Metals and mining is the third industry with above average rates across all top issues except for one. It falls short on climate change, where it also has no firm with oversight and the lowest percentage. The retail and real estate industries are the only sectors with below overage oversight of all seven of the top issue areas.

Environment: Paper and forestry (100 percent), chemicals (73 percent), utilities (73 percent), metals and mining (71 percent) and automotive (71 percent) firms are the most likely to have board oversight of environmental issues, while tobacco (none), commercial services (none), retail (10 percent), media (11 percent), and construction and engineering (11 percent) companies are the least inclined. All of these sectors are at high risk for environmental controversies—paper and forestry for sustainable harvesting and recycling efforts and chemicals, automotive, utilities and metals and mining for toxics, spills and emissions. Meanwhile, the industries with little or no board oversight certainly have environmentally risks, albeit less pressing than in most other industries.

Industry Trends by Issue							
Industry	Environ-ment	Climate Change	Social	Human Rights	Health & Safety	Diversity	Political Spending
S&P 500	33%	2%	55%	4%	21%	9%	42%
Aerospace and Defense	50%	*0%*	80%	10%	40%	30%	80%
Apparel and Footwear	50%	*0%*	50%	**33%**	*0%*	*0%*	17%
Automotive	71%	**14%**	71%	*0%*	43%	29%	43%
Banking and Investments	24%	2%	37%	7%	*0%*	10%	34%
Biotechnology	22%	*0%*	56%	*0%*	*0%*	*0%*	44%
Chemicals	73%	*0%*	73%	*0%*	60%	7%	40%
Commercial Services	*0%*	*0%*	40%	*0%*	10%	10%	30%
Communications	43%	*0%*	57%	*0%*	14%	29%	43%
Construction and Engineering	11%	*0%*	33%	*0%*	11%	11%	22%
Energy Equipment and Services	45%	*0%*	45%	*0%*	45%	*0%*	*0%*
Food and Beverage	43%	*0%*	73%	13%	13%	20%	53%
Healthcare Equipment	27%	*0%*	60%	*0%*	27%	7%	53%
Healthcare Services	13%	*0%*	93%	*0%*	13%	20%	**80%**
Hotels and Restaurants	21%	7%	64%	7%	14%	21%	50%
Household and Personal Products	50%	*0%*	50%	*0%*	17%	17%	17%
Household Durables	40%	10%	50%	10%	30%	20%	30%
Industrials	30%	*0%*	35%	5%	25%	*0%*	30%
Materials	20%	*0%*	40%	20%	40%	*0%*	*0%*
Media	11%	*0%*	35%	12%	*0%*	18%	29%
Metals and Mining	71%	*0%*	71%	14%	71%	14%	43%
Oil and Gas	63%	3%	81%	*0%*	56%	6%	75%
Paper and Forestry	**100%**	*0%*	**100%**	*0%*	**100%**	**33%**	67%
Pharmaceuticals	33%	*0%*	73%	*0%*	13%	*0%*	60%
Real Estate	18%	*0%*	*29%*	*0%*	6%	*0%*	18%
Retail	10%	*0%*	34%	3%	**0%**	*0%*	31%
Technology Hardware	26%	2%	33%	5%	7%	2%	24%
Technology Software	14%	*0%*	52%	3%	*0%*	3%	45%
Tobacco	*0%*	*0%*	75%	*0%*	*0%*	*0%*	50%
Transportation	20%	*0%*	70%	*0%*	30%	10%	50%
Utilities	73%	7%	80%	*0%*	67%	7%	53%

S&P 500 averages appear in the first row. All other rows reflect percentages for the industry identified. The highest percentages for each issue appear in bold text, and the lowest percentages by issue are in italics, including instances of ties.

Climate change: Automotive (14 percent), household durables (10 percent), utilities (7 percent), hotels and restaurants (7 percent) and oil and gas (3 percent) firms have the highest rates of board oversight on climate change. All other industries, except technology hardware and banking and investments, tie for being the least apt with none. Having the automotive industry with the highest rate for climate change is no surprise given the industry's high risks for regulation of vehicle emissions standards and the rise of fuel economy as a critical consumer purchasing driver given high gas prices. The same can be said for the oil and gas and utilities sector, which are in the middle of a high stakes battle over regulation of greenhouse gas emissions and the future mix of the world's energy sources. Hotels and restaurants, too, have tremendous energy needs and significant influence over energy use when selecting green building and energy efficiency technologies, and household durables manufacturing has a sizable carbon footprint, especially when taking supply chains into account.

Social: Mirroring the overall paper and forestry (100 percent), healthcare services (93 percent), oil and gas (81 percent), utilities (80 percent) and aerospace and defense (80 percent) have the highest oversight penetration, while real estate (29 percent), construction and engineering (33 percent), technology hardware (33 percent), retail (34 percent), industrials (35 percent) and media (35 percent) have the least.

Human rights: Apparel and footwear (33 percent), materials (20 percent), metals and mining (14 percent), food and beverage (13 percent) and media (12 percent) firms are the most inclined to have board oversight of human rights issues, while automotive, biotechnology, chemicals, commercial services, communications, construction and engineering, energy equipment and services, healthcare equipment, healthcare services, household and personal products, oil and gas, paper and forestry, pharmaceuticals, real estate, tobacco, transportation and utilities companies tie for least likely, all with none. All of the five mostly likely industries to have explicit board oversight have been heavily scrutinized for human rights abuses:

- Apparel and footwear for allegations of sweatshop abuses only heightened recently given the factory tragedies in Bangladesh.
- Materials, as well as metals and mining, for ties to forced labor and conflict minerals.
- Food and beverage for abuses in sourcing arrangements with agricultural concerns, including issues with migrant farm workers and their treatment, pay and health and safety.
- Media for ties to licensees producing apparel, footwear, accessories, toys and other products under contract and abuses similar to those in the apparel and footwear sector.

However, there were a few surprises in industry sectors with low levels of disclosed board oversight, especially the automotive, household and personal products, oil and gas and tobacco sectors, all of which have come under tremendous scrutiny in recent years for various forms of human rights abuses.

Health and safety: Paper and forestry (100%), metals and mining (71 percent), utilities (67 percent), chemicals (60 percent) and oil and gas (56 percent) firms exhibit the highest frequency of board oversight of health and safety issues, while apparel and footwear, banking and investments, biotechnology, media, retail, technology software and tobacco companies are among the least apt (all with none). All of the highest oversight sectors are fairly employee-intensive and at high risk for workplace-related injuries and illnesses, while the least likely firms are largely low risk for health and safety problems. Two exceptions might be the apparel and footwear and tobacco sectors, but they largely outsource much of the manufacturing of their products to their suppliers, along with most of the health and safety issues.

Diversity: Paper and forestry (33 percent), aerospace and defense (30 percent), automotive (29 percent), communications (29 percent) and hotels and restaurants (21 percent) have the highest incidence of board oversight of workplace diversity issues, while apparel and footwear, biotechnology, energy equipment and services, industrials, materials, pharmaceuticals, real estate, retail and tobacco tie for least likely (all with none). Media, most notably advertising firms, have been targets of high numbers of shareholder proposals for diversity and discrimination, and this sector ranks above average (18 percent) for board oversight of this area.

Political spending: Aerospace and defense (80 percent), healthcare services (80 percent), oil and gas (75 percent), paper and forestry (67 percent) and pharmaceutical (60 percent) are the most likely to have board oversight of political spending, while materials (none), energy equipment and services (none), apparel and footwear (17 percent), household and personal products (17 percent) and real estate firms (18 percent) are the least likely. All of the sectors with the highest rates for board oversight also have high levels of regulatory risk and/or exposure to government spending with the possible exception of paper and forestry firms. Those at the bottom are probably less at risk, although real estate firms are likely vulnerable to local regulation as well as national regulation affecting mortgage availability and affordability.

Other issues: On the environmental front, toxic spills and waste management are a high interest topic for board oversight duties in the oil and gas and utilities industries. On the social side, several media firms have formal board oversight of the Internet and data privacy. Fair lending and community investment are notable subtopics for oversight in the banking sector. In addition, a few household durables firms charge boards and board committees with overseeing employee job satisfaction and/or worker relations.

IX. Revenue and Profit Trends

Sustainability Board Oversight Trends by Revenue				
Top Quintile	Second	Third	Fourth	Bottom Quintile
85%	74%	49%	43%	25%
Percentages above are of each quintile (with 100 companies in each group).				

Revenue and net income data from each company's most recent fiscal year point to a strong correlation between company size and the propensity to have board oversight of sustainability issues. The top quintile of companies by revenue, for example, has board oversight of sustainability topics 85 percent of the time—much higher than the S&P 500 average of 55 percent. This percentage steadily drops by quintile, with the second quintile having 74 percent with sustainability oversight, 49 percent for the third, 43 percent for the fourth and 25 percent for the bottom. The difference in rates of companies with board oversight of sustainability issues spans a 60 percentage point difference between the top and bottom quintiles, and the top quintile is more than three times as likely as the bottom to have board oversight of environmental and/or social issues.

Sustainability Board Oversight Trends by Net Income				
Top Quintile	Second	Third	Fourth	Bottom Quintile
82%	66%	47%	37%	43%
Percentages above are of each quintile (with 100 companies in each group).				

Net income mostly demonstrates the same size trend. The top quintile of companies by net income has board oversight of sustainability issues 82 percent of the time. This percentage drops to 66 percent for the second quintile, 47 percent for the third and 37 percent for the fourth—but then ticks up a bit to 43 percent for the bottom. Still, there is a 39 percentage point difference between the bottom and top quintiles in the preponderance of companies with board oversight of sustainability issues.

There are many possible reasons for this strong correlation between company size as measured by revenues and profits and board oversight of sustainability issues:

- Larger companies are more attractive targets for proponents of shareholder proposals and other sustainable and responsible investors, as well as civil society organizations, so they are more likely to have been challenged on this issue. Persistent criticism from investors and other key stakeholders can prompt more oversight mechanisms.
- Larger companies may have a broader view of the world in which they operate, and so might be more likely to adopt oversight provisions based on their own vision of what is good for business.
- Larger companies have more resources to study these issues and, therefore, are more likely to have reviewed them in the first place and discovered their potential benefits.

X. Future Research

This report presents a plethora of data on board oversight of sustainability issues. However, like any study it has its limitations and suggests many additional research opportunities. Below are a few suggestions for what shape this additional work could take:

- **Time series**—With a base year of 2013 data established here, it would be interesting to see how trends develop in the future. A retrospective study also would be useful, but much more difficult, as companies do not post historical references for previous board committee charters, which would necessitate an interview or survey process.
- **Smaller companies**—This report examined the S&P 500 and found that larger companies, as measured by revenue and net income, are far more apt to have board oversight of sustainability issues. It also found some sectoral differentiation. It would be worthwhile to investigate if these trends continued at mid- and small-cap companies.
- **Non-U.S. companies**—Conventional wisdom holds that European and Australian firms are more attuned to sustainability concerns than American companies. It would be interesting to see how non-U.S. companies approach board oversight of sustainability issues. Is the conventional wisdom true for European and Australian firms? What about other markets, particularly those in emerging economies?
- **Sustainability performance**—Of course, the question on the minds of many board members, corporate executives and sustainability champions is whether having board oversight of sustainability issues actually leads to better sustainability outcomes for those companies. Linking the data collected for this report with key metrics by industry sector could yield some insights into whether board oversight of these issues is having positive impacts.
- **Financial performance**—Many would like to know whether board oversight of environmental and/or social issues yields better financial performance. Given the difficulties in separating the board's effects on decision making on sustainability issues and the effects of such recommendations on a company's policies and practices and financial results, this work might lend itself to case studies and interviews or a sophisticated financial model.
- **Member expertise**—Finally, only a handful of companies specify any requirements for sustainability expertise for members of committees overseeing sustainability issues. It would be helpful to investigate if those with such standards are more effective in their oversight and, if so, which types of expertise are most desirable.