



BSR Conference 2009

**Reset Economy. Reset World.**

## The Role of Corporate Boards and Corporate Responsibility

Breakout Session Summary

Wednesday, October 21, 2009 | 1:45-2:45 p.m.

### Speakers

- » **Roxanne Decyk**, Corporate Affairs and Sustainable Development Director, Royal Dutch Shell
- » **Aron Cramer**, President and CEO, BSR (moderator)

### Highlights

- » There is growing pressure on corporate board members to demonstrate deep knowledge of the business, in addition to financial and industry literacy to evaluate business strategy.
- » The scope of board oversight is evolving from simply protecting shareholder value to also helping management identify potential risks and the long-term sustainability of their businesses.
- » The best boards and directors don't limit their influence to providing perspectives during board meetings; they call the CEO to provide relevant information, make introductions to other knowledgeable individuals, and influence opinions. At the same time they need to be careful to respect the boundaries between management and oversight by the board.
- » There have been reforms in corporate governance, particularly around requirements for the independence of directors and committees. In the future, we can also expect higher levels of accountability for directors, more exacting qualifications, and more transparency in how they operate.

### Memorable Quotes

*"Boards help management make short-term and long-term tradeoffs. [They ask management] how much of tomorrow's value are we trading for today's?"* —Roxanne Decyk, Royal Dutch Shell

*"When reviewing business strategy, the board should ask, 'is society ready to accept what we're about to do?'"* —Roxanne Decyk, Royal Dutch Shell

*"A central challenge to board oversight is the increasing responsibility of boards and of individual directors."* —Aron Cramer, BSR

### Overview

Cramer kicked off the session with an observation that the role of corporate boards is becoming increasingly complex, and this has an impact on directors' responsibilities. He introduced Decyk, who has served on a number of corporate boards in the United States and Europe over the past 25 years. She has served as a senior corporate executive interacting with corporate boards, and has studied corporate governance issues.

Decyk described two major trends driving the change in the role of corporate boards. First, the complexity of challenges facing businesses has increased due to evolving business models, technological innovation, globalization, and social and environmental challenges. Second, there are many instances of government failure to provide the safeguards and framework for corporate



governance, for example the lax regulatory regimes and enforcement in the global financial sector.

Decyk recalled examples from her experiences working at Shell and serving on the boards of other companies. In one case, she served on the board of a manufacturing company that grappled with difficult questions related to the offshoring of manufacturing. The board considered questions about the company's responsibilities to existing employees and the potential value to shareholders by lowering the cost structure of the business. This led to a more measured and responsible approach to moving their manufacturing offshore.

In the case of Shell, Decyk observed that the board has been very active in gaining an ongoing, thorough understanding of the business and underlying corporate responsibility risks. For example, the board has met with stakeholders to discuss controversial oil and gas development projects, and the board discusses the level of investment in renewable technologies.

Following the discussion between Decyk and Cramer, the audience raised a number of questions. Deborah Fliescher, founder of Green Impact and contributor to TriplePundit.com, asked about Shell's investment in renewable energy and its relation to their climate risk. Decyk identified three drivers of their climate change strategy: the moral and ethical dimensions of Shell's environmental stewardship, the need to manage carbon emissions in the development and transportation of their products, and the extent to which the company will be held responsible for emissions when people use Shell's products.

Lora Phillips, senior manager of global employee engagement at Symantec asked about the underrepresentation of women on corporate boards. Decyk dispelled a myth that there are not enough qualified candidates, which may have kept women off boards in the past. She explained that while there are plenty of candidates from minority groups, the nomination committees are not necessarily connected with them. So there is more work needed to ensure that good, qualified candidates are identified. Cramer noted that there are lessons from the experience of corporate boards in Norway following a government requirement that 40 percent of board be composed of female executives.

Vivienne Riggio, manager of corporate responsibility and risk management at ASICS Corporation, asked the panel and other participants what corporate responsibility managers could do to help boards define their role in relation sustainability. Decyk responded that sometimes the most effective way to get the ear of senior management is to talk about where the most significant risks lie in the future. She encouraged boards to consider a broader range of issues—including labor rights in developing countries, product safety, and climate change footprint and regulation—to protect shareholder interest over the long term.

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