

Feature

Engaging boards with climate change

David Archer and **Alex Cameron** look at the lessons boards have learned over the past year.

When the latest UN climate change report¹ says, ‘we have all procrastinated for too long’ and will need emissions cuts of 7.6% a year starting in 2020 to avoid wide-ranging and destructive climate impacts, we all need to listen. No board member can ignore these risks to the sustainability of their business.

Twelve months ago, we brought together a group of Chairmen and CEOs to ask them how their boards were engaging with the challenges of global climate change. They told us then how difficult it was to get boards to invest the time to tackle this complex topic when there were so many other pressing issues on the table. And many board members felt they lacked reliable and trustworthy sources of climate change information.

Last month we invited the same group back to review progress and to share views and plans for 2020. The wider context has clearly changed a lot. The visibility of school climate strikes and other global protest movements have brought the issue high up on the public agenda, and governments have responded by passing legislation requiring a transition to ‘Net Zero’ CO2 emissions within the next few decades. But is this all talk – and has this movement had any impact in the boardroom?

‘Climate change is becoming more visible on the board agenda...’

According to our audience, it has. Climate change is becoming more visible on the board agenda, but the challenge is moving from the theoretical ‘can I get my board to engage with this topic’, to practical questions of ‘what can we do first’, ‘where can we act on our own’ and ‘where is it best to work with others’.

Several of our Chairmen said the key to getting board support was to link long-term reduction of CO2 to more immediate and tangible benefits: to health, to the working environment, and to profitability. They used the example of the introduction of the Ultra Low Emissions Zone (ULEZ) in London to show how wide stakeholder support could be built for a plan which delivered immediate health benefits – while also reducing CO2 emissions. In many industries, from farming to manufacturing, there can be a virtuous circle for boards to focus on improving efficiency, reducing energy consumption, and so increasing profitability now as well as building a plan to a Net Zero future.

But they also acknowledged the potential risks of being a first mover and investing in new technology or processes ahead of national decisions about policy or regulation that could leave slower competitors able to target specific government subsidies or exploit regulatory loopholes. The view around the table was that the way to manage these risks was by identifying the areas where it was beneficial for a whole sector to jump together. Instead of waiting for legislation, industry bodies and trade associations could take a lead by setting standards that customers would recognise and swathes of businesses could commit to follow.

They also emphasised that large corporates and public sector organisations could take the lead in influencing their suppliers to follow the same standards of CO2 reduction and produce credible plans for a transition to a Net Zero economy.

The consensus around our table was that non-execs have several very important roles to play in this, by: challenging their boards to develop appropriately ambitious CO2 reduction plans; scrutinising the delivery of those plans; using their networks to transfer good practice from one board to another; and communicating with the investor community.

To achieve this non-execs need access to resources and toolkits which can help them ask the right questions of executives. One example of such a board readiness toolkit has been produced by Chapter Zero² which is a new initiative under the World Economic Forum umbrella. Chapter Zero provides a free source of climate change information for all UK directors and its impact across the corporate sector is growing. It already has almost 400 members, and aims to have at least 1,000 by the UN Climate Summit COP26, which the UK will host in November 2020. Board members looking to take action could consider joining Chapter Zero as a practical first step. Then use the Chapter Zero toolkit as a way to focus debate in the board on the impact of climate change on the business – and identify action that is good for both your business and for the planet.

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1. <https://www.unenvironment.org/resources/emissions-gap-report-2019>

2. <https://www.chapterzero.org.uk/toolkit/>