## Feature

# Engaging boards with climate change – Part 2

**Alex Cameron** and **David Archer** issue a call to action following discussions with a group of Chairs and non-execs whose boards are currently engaging with the topic.

In the September issue of *Governance*, we described some research carried out at Imperial College which highlighted the low proportion of boards listing climate change as a strategic risk in their annual report – and how few were debating climate risk reduction or mitigation at their board strategy day. For this article, we gathered a group of Chairs and non-execs to discuss how their boards were currently engaging with the topic and what more could be done to bring it to the fore. But even before our meeting it's clear that the international picture has moved on significantly in the intervening months.

### The climate change agenda is on the move

The latest IPCC Report[1] makes clear the devastating economic and social impact of allowing average global temperature to rise to 2°C above pre-industrial levels, rather than the target of 1.5°C. Increased instances of extreme heat events and tropical cyclones are just two symptoms that will have major impacts on businesses across the globe. And there is evidence of growing investor concerns too, ahead of December's UN summit in Poland fund managers and advisors, including IFM and Schroders, signed a joint statement committing to increased climate change financial reporting and identified financial impacts that could do more damage to the world economy than the 2008 crash[2].

### So, what are boards currently doing?

Our Chairs and non-execs suggested that with boards focused on real and present dangers, climate change can often seem too far off to compete with the other risks. Consumers and investors are upping the pressure on businesses, but they can send mixed messages. The consensus of our meeting was that regulation was the one thing that would get consistent engagement. The example of GDPR legislation shows how government could trigger widespread action from companies across all sectors. But regulation takes time and most of our guests thought that boards needed to engage more quickly with the challenges and options for their companies without waiting for political direction.

### What more can board members do?

Our group were clear that there's no single way of getting attention from all sectors and industries. Instead directors need to do the analysis to understand the impact of different climate scenarios on their particular business-plans, their customers, and their supply base – before bringing the specifics of these risks into board strategy discussions. This means relating the perhaps vague and unquantifiable risks of more frequent extreme weather events, sea level rise or habitat loss to the specific consequences that will affect your company and its markets, and then exploring the financial implications. As one board member put it 'we need to find the self-interested reasons for directors to engage in this global problem'.

Here people highlighted the need to find a source of facts about climate change and mitigation strategies that all board members could trust. Some people said the UK should create the equivalent of the IFS for climate change statistics. But in the meantime companies could develop trusting relationships with academic groups like the Grantham Institute or the Tyndall Centre[3] to access expert analysis and facts about the full lifecycle impact of ideas to reduce carbon footprints.

Others emphasised the benefit of linking climate change reporting to a board's normal financial reporting cycle and saw the principles issued by TCFD (Task Force for Climate-related Financial Disclosures) as a useful standard, requiring companies to engage with stakeholders and explain how they were contributing to reducing climate risks.

As board evaluators, we noted that the group saw the Corporate Governance Code as another good lever for director engagement. New provisions in the 2018 Code refer to 'the sustainability of the company's business model', and this is a good place to trigger board conversations on climate change and the assumptions underpinning a company's long-term risk model.

But the most encouraging thing about the whole roundtable discussion was the commitment of all concerned to take action – and to meet again in 12 months to review progress. One of our guests, Julie Baddeley, is the Senior Corporate Advisor to the Hughes Hall Centre for Climate Change Engagement which aims to make academic insights on climate change and its impacts more accessible to boards. If you want to encourage your board to engage with this agenda, email climate@hughes.cam.ac.uk for more information.

It's time for action.

1 IPCC Report SR 1.5 @ https://www.ipcc.ch/sr15/

2 Guardian report @ https://www.theguardian.com/environment/2018/dec/10/tackle-climate-or-face-financial-crash-say-worlds-biggest-investors

3 http://www.imperial.ac.uk/grantham/ or https://www.tyndall.ac.uk/

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