Chapter Zero

Principles and frameworks for climate change strategy and action: Executive summary

Chapter Zero
The Directors' Climate Forum

Executive summary

Introduction

This toolkit is designed to help non-executive directors educate themselves on the business implications of climate change and provide a resource that they, their boards and executives can use to help design and implement a business response. As businesses look to ‘build back better’ post-Covid-19, we hope it is a useful source of information and inspiration.

The toolkit breaks the climate change journey into three phases:

Prioritising climate change

Defining the strategy

Ensuring action

1. Prioritising climate change

- Suggests strategies for getting climate change on your Board agenda.
- Highlights frameworks, external information sources and illustrations to help catalyse and drive the climate change journey with the right level of direction and energy.

2. Defining the strategy

- Includes frameworks to help the Board add substance and clarity to their climate change strategy, ideally as part of the broader company strategy.
- Non-executive directors may contribute to the idea generation in a Board strategy day or they may simply review and discuss papers presented by the Executive committee.

3. Ensuring action

- Describes observed best practices, Board discussion topics and questions for NEDs to help ensure action is taken to deliver on your climate change strategy.

What's in the toolkit?

The toolkit is made up of frameworks and case studies, structured around three phases in any organisation's climate change journey. We highlight the Board role at each phase and show how the toolkit can help. Non-executives can read this executive summary, and then selectively dive deeper into frameworks and resources provided throughout the full Principles and Frameworks document.

	Prioritising climate change	Defining the stategy	Ensuring action
Board role:	• Understand the relevant climate change issues for their business. • Review or create a set of hypotheses for what the potential risks and opportunities are for your business; acknowledge that 'doing nothing' is *not* an option. • Have a sense of the level of ambition your organisation wants to target and how it might measure progress; understand what 'net zero' means for your organisation.	• Contribute to and sign off the climate change strategy, ideally as part of the broader company strategy. • Understand the key initiatives, why they were chosen and their likely impact. • Create a view of the roadmap for change over various horizons.	• Sign off the implementation plans for the climate change strategy. • Provide direct input to the governance, measurement, roles and accountabilities, remuneration and any organisational change. • Ensure that appropriate capabilities and communications are in place. • Encourage continuous improvement.
Tools in this section help:	• Raise the issues constructively: **peer comparisons**. • Help the Board understand and frame the issues relevant to your company: **8-force trend analysis** **Scenario analysis** **Stakeholder insight** • Generate **hypotheses** for where the benefits and risks might arise and therefore where the change effort should be focused.	• Establish the **baseline and measurement framework**. • Make choices about which initiatives to pursue in your climate change strategy: **Generate ideas**, building from the hypotheses Facilitate comparisons with **initiative templates** Select initiatives with a **prioritisation framework** • Create a **roadmap** over several horizons.	• Provide an **overview of the change management framework**, with more in-depth guidelines on: **Governance** **Generating engagement and enthusiasm** **Programme management best practices** **Initiative monitoring and reporting**

Case studies illustrate the climate change journeys being taken by a variety of companies across different sectors

11 principles

The toolkit is based on an understanding of the practices observed in a range of companies already making strong progress on climate change action. They can be generalised into 11 broad principles.

1 A spark to start the fire

A catalyst is needed to get climate change onto the agenda. This can be an analysis of climate change risks – not just from physical changes but also from regulatory change, societal and competitive pressure – showing the likely resilience of the organisation to significant changes. Recent disruption from Covid-19 demonstrates the importance of understanding potential risks. Scenarios are an effective way to deal with uncertainty and can show how vulnerable the business is.

2 Climate change is not an *add-on* to the strategy, it's part of the strategy

When climate change targets and initiatives are part of broader corporate goals and initiatives, the regular organisational mechanisms to implement successfully can be used to drive progress in climate change.

3 Championship from the top

Where businesses have made strong progress, it is because the climate change agenda is championed by the CEO or Chair.

4 Clear accountability and governance at senior levels

Governance for climate change is at the most senior levels, reporting into the Board. Significant change will only happen with strong executive director support. It is critical to have the right accountability embedded at senior levels, e.g. Sustainability Directors reporting directly to the CEO; executive climate change committees made up of a broad mix of functional and business line heads. Specific initiatives and outcomes need to be owned by senior executives, not buried too deep in the organisation structure.

5 Organisational engagement is powerful

When the people in the organisation are engaged in defining the evolving solutions and are measured on the success of climate change initiatives, they are more motivated and effective in driving the change.

6 If it matters to stakeholders, it should matter to you

Engaging with stakeholders and understanding what matters both today and in the future helps the Board set the ambition, understand risks and understand the scope of the challenge.

7 Financial case for change is strong

As the company lowers emissions it also has the potential to achieve operational savings, enhanced market share, reduced waste and reduced risk. There may be opportunities to access new business areas and models. Carbon pricing is an important financial consideration in business cases.

8 It's a journey

It can take time to make deep and lasting change; be prepared for a journey of several years. Evolving stakeholder perspectives over the next 10-20 years need to be factored into the thinking.

9 Transparency and collaboration are very helpful

Case studies show the benefits of operating in a spirit of transparency and collaboration within and across sectors. Continuous improvement is more likely if companies are open with their ambitions and measures, even in the knowledge that these measures are not perfect.

10 What gets measured gets done

Companies that have measured their baseline and made a public commitment to improvement say it helps to mobilise the organisation. They use accepted standards like Task Force on Climate-related Financial Disclosures (TCFD) and Science Based Targets (SBT).

11 A company's level of ambition is a *conscious* decision

It is worth having a conscious, well-researched discussion on the level of ambition over a timeframe, otherwise the business can end up, by default, missing out on opportunities and being exposed to unquantified risks.

Case study insights

Insights from the case studies demonstrate that, like other critically important issues facing a company, the tools and frameworks used in the disciplines of strategy development and change management are relevant and helpful to Boards as they seek to achieve real change.

Prioritising climate change

- When the Chairman and CEO are passionate and committed, it is much easier to set a more ambitious programme and make rapid progress.
- A sense of urgency to take positive action can be driven by a peer or competitor review.
- More often, the urgency arises from a thorough risk assessment (usually led by the risk team or audit committee). Risks from anticipated physical changes, competitor risks, regulatory risks or changing societal and customer attitudes bring the issue to life.
- Evaluating more alarming future scenarios and their potentially dramatic impact on the business model and profitability can create a strong catalyst for change.
- It is critical to understand competitors and the perspectives of stakeholders (customers, employees, suppliers, shareholders, regulators, others). This helps set the level of ambition and scope of the challenge.
- As the issues become better understood, evaluation of business impact can move from risk reduction and resilience to emissions reduction, cost savings and enhanced market appeal.

Defining the strategy

- Having raised climate change as a strategic issue, planning is done the same way as any other important strategic initiative.
- The journey needs to start with a baseline measure and a target. Science Based Targets (SBT) are commonly used. The best science should be used to constantly update targets. Having a public target is very mobilising.
- Part of the baselining process is to map where in the value chain the emissions are most significant.
- People from inside and outside the business can be engaged to generate ideas to improve emissions, improve operations or create new opportunities.
- Once the best ideas are shaped into initiatives, prioritisation frameworks help select the right mix of initiatives.
- Accountability is key: working with directors to take on and drive initiatives in their part of the business will build momentum.
- Initiatives and objectives can be phased over several horizons in a roadmap.

Ensuring action

- The World Economic Forum's governance model can be followed as transformation journeys are established. Best practices include clear accountabilities for progress, led directly by the Board and executive team.
- Link initiatives in the roadmap and progress on key metrics to senior individuals' performance objectives and remuneration.
- Communicate the vision and progress internally and externally.
- Employees may need new or different skills/capabilities. Companies may need new people to drive the change or a new organisation design.
- Set financial objectives using accepted frameworks and standards (Task Force on Climate-related Financial Disclosures and others).
- Ensure investment cases for all company activities include financial and climate change impact (incl. carbon pricing).
- Being part of industry bodies or forums helps to exchange ideas and drive continued improvement.
- Build innovation in climate adaptation into the firm's culture: actively encourage employees, suppliers, other stakeholders to participate.
- Continue to monitor key climate change metrics and provide clear feedback to specific stakeholder groups.

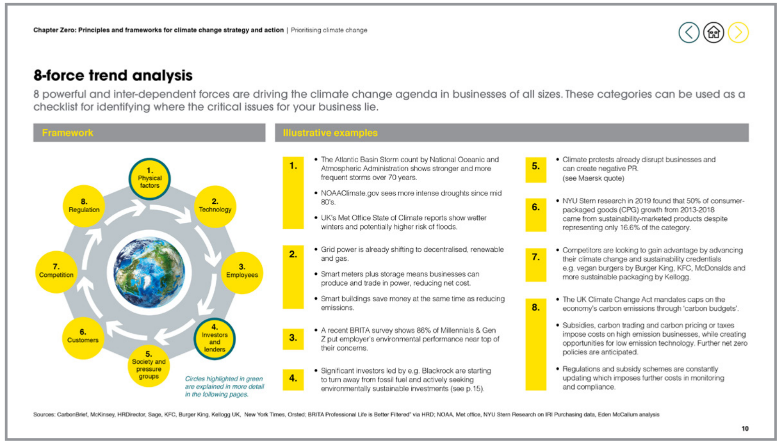
Companies featured in our case studies:

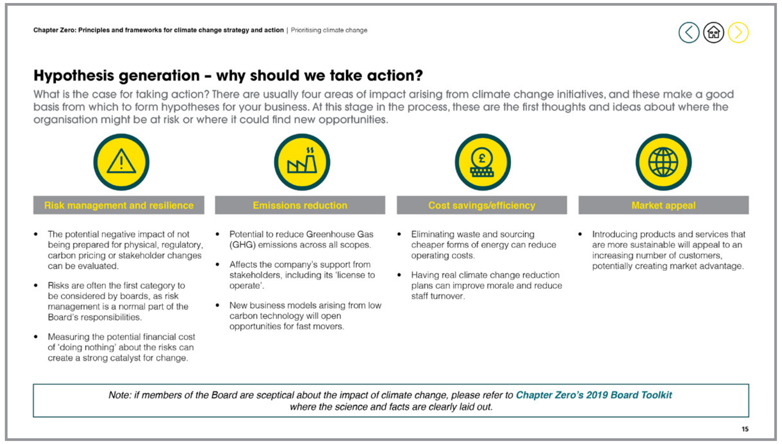
BURBERRY LONDON ENGLAND, drax, ERM, Go-Ahead, GROSVENOR, IHG, innocent, Landsec, Sainsbury's, sse, Unilever

Illustrative content

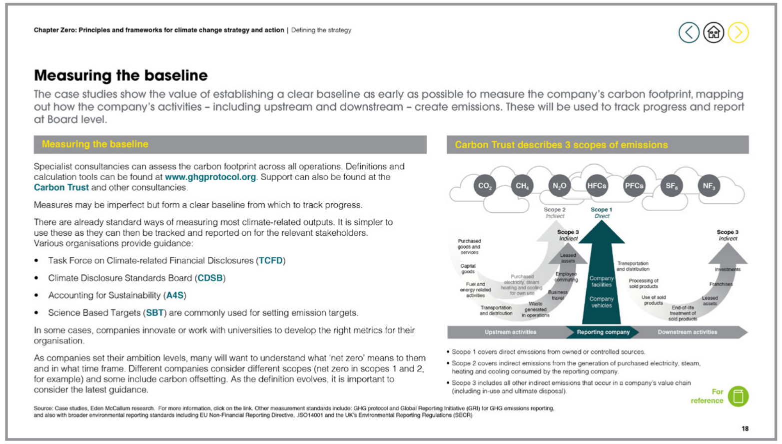
Each section of the toolkit contains frameworks, information and quotes.

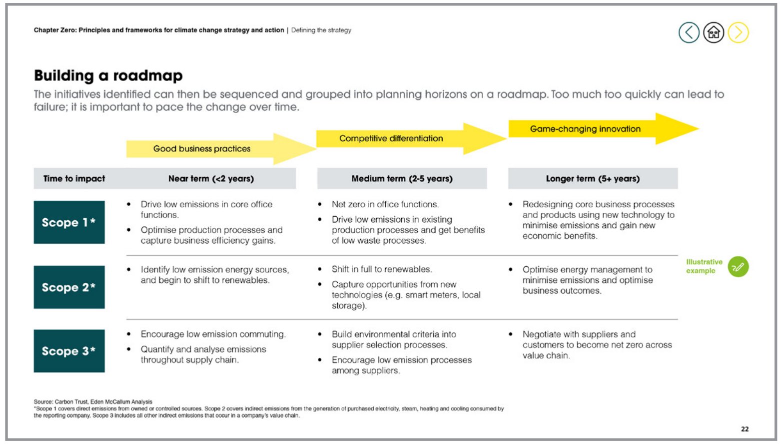
Prioritising climate change



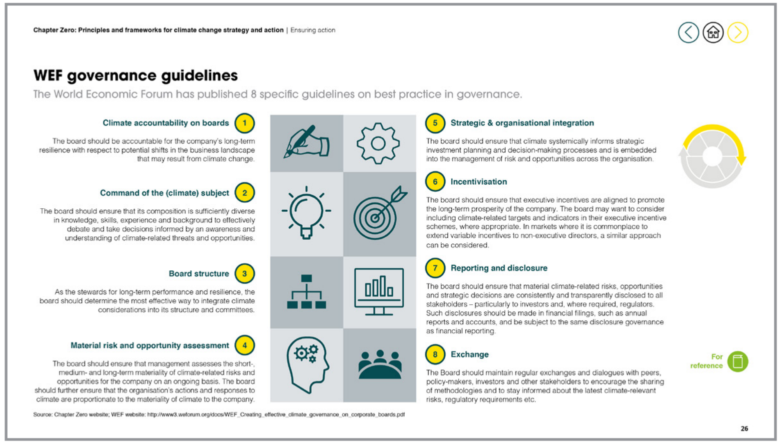


Defining the strategy





Ensuring action



Download the full Principles and Frameworks for Climate Change Strategy and Action **here**

Chapter Zero
The Directors' Climate Forum

Chapter Zero is a network of over 860 chairs and non-executive directors working to put climate change firmly on the Boardroom agenda. Members span many of the UK's largest listed companies and it is part of the World Economic Forum Climate Governance Initiative.

www.chapterzero.org.uk

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Eden McCallum is a pioneering management consultancy with a deliberately agile approach, bringing their global team of independent consultants to the most pressing management challenges. Eden McCallum is delighted to have partnered with Chapter Zero to develop 'Principles and Frameworks for Climate Change Strategy and Action' on a pro bono basis.

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