

Session 5 – Mapping the road ahead

2 November 2022

From awareness to action: a five-step programme with McKinsey & Company. A summary of session 5.

On 2 November, Chapter Zero members and guests joined McKinsey for the fifth event in a series that aimed to turn climate ambitions into concrete boardroom actions. This session focused on the expectations of COP27, reflecting on the progress from last year's COP26 in Glasgow, and the shift that needs to happen to move companies' climate plans beyond pledges.

The event was opened by Susan Hooper, Chapter Zero board member, with a recap of session 4 which focused on leadership capabilities and the shift in culture and mindset required for the transformational change needed to deliver the net zero transition.

This session focused on the role business plays in COP, from insights and experiences shared by Claire O'Neill as the President-Designate of COP26, the UK's Minister of State for Energy and Clean Growth and now as co-chair of the World Business Council for Sustainable Development (WBCSD).

Reflections on COP26 and the lead up to COP27

Claire opened with some highlights from COP26, including her appreciation of the extraordinary engagement of the private sector with the climate agenda. This included the collaboration to create initiatives such as the [Glasgow Finance Alliance for Net Zero](#) (GFANZ), a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy.

Despite the unexpected volatility resulting from the invasion of Ukraine and the energy crisis, the private sector has continued to collaborate and invest in renewable energies, while a number of governments have had to prioritise short-term energy security. A member of the audience positively commented on how annually the International Energy Agency (IEA) overestimates the price of renewable energy for the following year. However, the group did reflect on the importance of building on this and specifically ensuring the responsible investment from the huge profits made from companies as a result of the energy crisis.

Claire highlighted the positive ambition signalling from some governments over the past year, in particular the US' Inflation Reduction Act, which was predicted to close their emissions reduction gap by 10 percentage points.

Expectations of COP27

While the room agreed that COP provides a great opportunity for the world to focus on the climate crisis for 2 weeks, the expectations of COP27 seemed low. There was an understanding that the conversations would remain the same; more investment and more action was needed.

Topics on the agenda at COP27 will include adaptation, loss and damages, food and water security, and finance. There was a call to action to keep the momentum of COP going. The deep engagement of business at COP26 contributed to its success and needs to be continued to ensure that companies keep driving forward in the face of challenges.

Challenges the private sector faces to the climate crisis

After reflection on the previous year, discussion moved to the obstacles faced by businesses to take climate action. The clear challenges included not having the appropriate regulatory guardrails in place and the lack of money flowing to promote the climate agenda. The obstacles with a less well-defined solution for business that Claire suggested was the rhetoric reality gap, and the need for society to engage with the world we have. As well as the shift in mindset required, both in the sense of changing the attitude that climate is 'someone else's problem' and that the net zero transition costs too much money without thinking of the opportunities it will bring.

How can non-executive directors (NEDs) face these challenges?

Board directors were encouraged to use their capabilities as a leader. Climate should regularly feature on the board agenda, not mentioned in only one board meeting a year, which was often the case. NEDs should ensure the CEO routinely engages with climate by observing progress on emissions targets alongside their daily cashflow reports and have direct conversations with the CSO to prevent this role becoming a box-ticking exercise.

There were a couple of suggestions for directors to guide their company to place a portfolio of bets and move into a private-equity mindset to spur innovation and take advantage of the fast-growth areas. There was some agreement that a way to shift mindset is through radical transparency. Climate-related reporting and disclosure was likened to the appearance of calories on menus and how this actively changed consumer behaviour. If companies do this transparently, they will be able to competitively benchmark, incentivising them to improve their climate performance.

How can businesses engage with policymakers?

From Claire's experience in the public sector, she identified that the most successful private-public sector projects came about when businesses approached ministers with an 'oven-ready solution'. The most effective way to move forward with climate positive projects is when businesses clearly define what they can invest into the project and the tasks they have from government to make it happen.

It was highlighted that corporates were held to account much more than the government. The business reaction to climate change has been very encouraging, even though as pointed out, the Paris Agreement was only meant for governments. As a result, Claire and other members of the audience would support creating a separate business COP to run alongside the actual COP. This would provide an opportunity for business leaders to gather, collaborate and not reinvent the wheel as they are working on similar solutions independently of each other. Something which Claire hopes to arise at COP27, as the idea was introduced at COP26: a Corporate Determined Contribution, to be included in the Paris Agreement and allow for consistency in measuring. The scale of change is too large for the government to tackle alone, Claire likened it to asking the government in 1996 to prepare for the internet. Engagement and action from the private sector will be needed to achieve the net zero transition in the time required.

Tackling climate in the boardroom

A couple of perspectives were shared by non-executive directors in the audience. In response to a question posed by the panel, which asked who in the room is incentivised by the impact of climate change. One person indicated that instead of having targets to achieve, McDonald's executives are given a carbon budget to keep to, which has been found to be very effective. Responding to the question asking how NEDs were finding tackling the climate crisis in the boardroom, one participant presented their positive experience on the board of the University of Edinburgh, which was awarded 4th globally for sustainability in the QS World University Rankings. They recognised the importance of engaging with younger people to take effective climate action in the boardroom and encouraged organisations in the private sector to follow this approach. The final comment from the audience was to remind NEDs to set the right example of being climate-conscious in both professional and personal lives, and not to give the impression that once you reach a certain level in your career, rules don't apply.

Laurel Powers-Freeling closed the event with some final remarks and key points emerging in the session, including a call to maintain the momentum of COP and highlighted the importance of collaboration, courage in leadership and taking advantage of the convergence of ambition to make this happen. Laurel and Susan thanked everyone for attending the final event and previous ones in the series. They

finally directed everyone to complete the forthcoming Chapter Zero Impact Survey to help provide guidance in bringing greatest value to framing of future events.