

## Session 3 – Developing high-quality climate action plans

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7 July 2022

From awareness to action: a five-step programme with McKinsey & Company. A summary of session 3.

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On 7 July, Chapter Zero members and guests joined McKinsey for the third event in a series that aims to turn climate ambitions into concrete boardroom actions. This session focused on what *action* needs to be taken by boards to deliver on a net zero target.

After the previous session concentrated on the NED roles and responsibilities and their ability to influence strategy, this session looked at how to place the lens of climate across the entirety of the board's remit and develop a roadmap for how to hold your board accountable.

Understanding what good looks like in terms of the climate challenge is important. Several case studies from banking, fashion retail and oil were shared which outlined how success can be achieved when the issue of climate is embedded. The common factor behind all of them was a board that was aligned on placing the climate lens throughout their whole operations and not assigning it to a side project or second tier management. Effective recruitment of talent to support this roadmap was highlighted, as well as the key role that sharper regulation will play in the UK very soon.

In relation to what is needed to deliver successful, sustainable change and what 'good' looks like, there were four key messages:

1. **The time is now** – not just in terms of awareness about the state of our climate but also in response to the tighter regulation measures that are coming in. Brave decision making is required to prioritise long-term sustainability choices over short-term performance choices.
2. **This creates opportunity** – climate governance is not a cost of compliance. There are a lot of opportunities for organisations that succeed in bringing

climate as a holistic lens to their strategy and operations, for instance there is no one bank which is leading the field yet.

3. **This can't be done as a side project** – climate governance needs to be embedded in the organisation.
4. **There is no secret sauce to doing this** – it's achievable by using proven business techniques to address a new problem. The technology exists to allow for these shifts already, but to drive change you might need different metrics and to develop your ESG knowledge.

There is also a realisation that climate goals have been side-lined by recent global developments (including Covid, the war in Ukraine and inflation). The challenge here is to ask your board to put measurable changes on a timeline. In short, a summary of what you need to ask your boards is:

- What is your north star of ambition?
- Is your organisation ready to act?
- Are you climate literate?
- Are you leading in your sector or following?

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## Discussion and reflections

During the breakout session, key questions posed were around action – what next? There was a focus on discussing the levers of influence within the board, with the Chair identified as being key. How the recruitment of talent could help address the climate issue was explored. As a board's strategic remit is partly about people, this was seen as another area in which a NEDs influence could be extended.

From the companies that had already started addressing their Scope 3 emissions, there was the recognition that it takes time, reinforcing the message from earlier in the session that the time is now to applying the climate lens to all aspects of the business. It was recognised that ESG and in particular, the S in ESG was an embedded topic on boards, but that the lumping these important issues together often means that the smaller wins in sustainability are championed rather than focusing on the slow rate of change in addressing climate issues.

Regulation is expected to become much sharper, and the attendees discussed the importance of data in relation to this – not least for benchmarking but also for understanding when you'll reach your net zero goal. Use data to bring focus to the goal and make it relative, real and achievable.

Lastly, there was a real need to understand more about what technology is available to help the transition to net zero and where that information could be found.