

# How are non-executive directors and chairs accelerating climate action in UK Boardrooms?

Chapter Zero UK Impact Study 2023



# Foreword

Non-executive directors (NEDs) and chairs have a unique opportunity to shape how businesses respond to the climate challenge.

With a remit for the long term commercial resilience of business and its impacts on wider society, the Board has an unparalleled opportunity to lead on the transition to net zero or net positive, which itself is a long-term strategic opportunity.

Chapter Zero exists to equip and inspire NEDs and Chairs to lead on climate from the boardroom. Our annual impact study helps us understand the pace of change, the critical boardroom dilemmas, and the live needs of our community.

We are indebted to Kantar, our global insights partner, for our 2023 impact study, which aims to unpick the key accelerators and barriers to boardroom progress on climate for NEDs, as well as benchmark to what extent Chapter Zero has enabled our community to drive impact at board level.

It provides us with an invaluable snapshot of progress on climate in UK boardrooms, itself a window to wider business progress in accelerating the transition.



**Vicky Moffatt**

CEO, Chapter Zero



**Jonathan Hall**

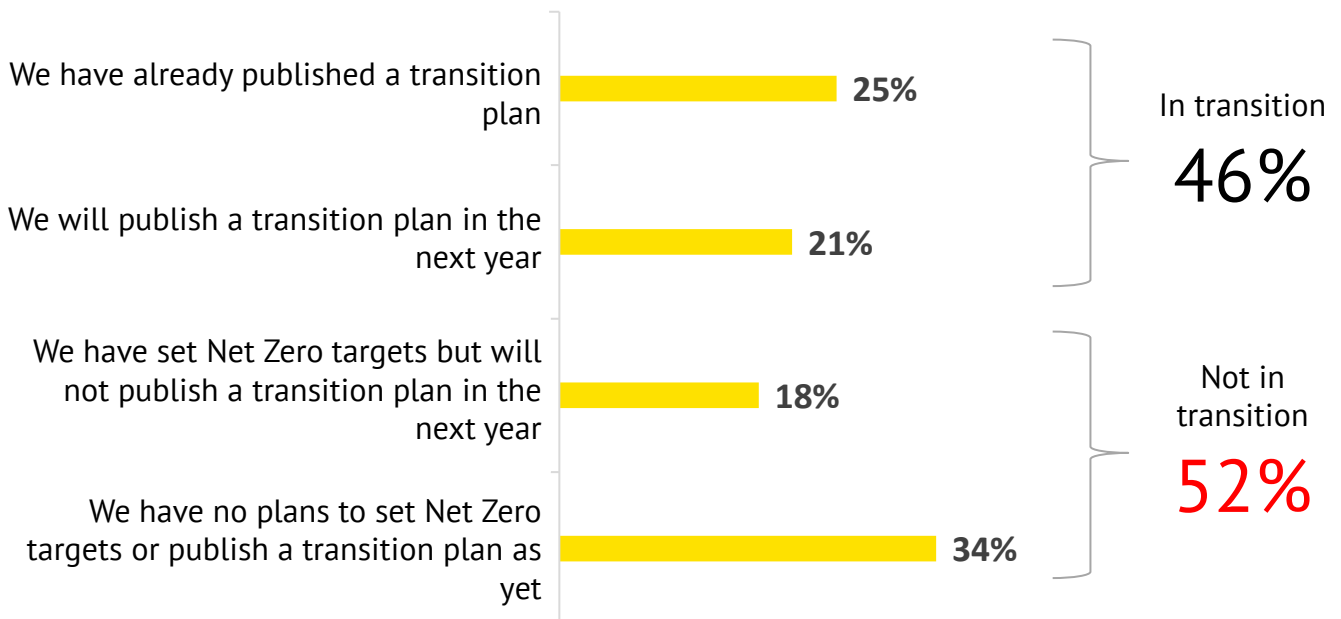
Managing Partner, Kantar Sustainable Transformation Practice

# State of play in 2023: Work still to be done

The study reveals polarity in terms of the progress that boards of UK businesses are making on their climate journey, with many still demonstrating a lack of measurable commitment to action.

While some respondents said their organisation has set out a clear transition plan, others cited less measurable activity like education and engagement programmes as the most successful climate action their business has taken to date.

In addition, while significant numbers of UK businesses are actively transitioning, more than half (52%) of boards have no plans to publish a transition plan in the next year, underlining the scale of the task ahead. Smaller businesses are more likely to be in this category, with listed companies and large private companies with £1bn or more annual revenue making faster progress.



But the good news is that the climate emergency is not viewed by NEDs as simply a matter of regulation and compliance.

Instead, the majority of NEDs see it as a transformational business opportunity and a way to drive innovation (89%), as well as new forms of partnership (76%).

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<i>Q. Thinking about the Board you sit on, how strongly do you agree with each of these statements?</i>	<b>Top 2 Box</b>
Climate requires new forms of thinking from boardroom, the executive and the workforce	<b>93%</b>
Climate represents opportunity and innovation for business	<b>89%</b>
Climate is driving new forms of collaboration and partnerships	<b>76%</b>
Climate will transform our business model over the longer term	<b>69%</b>
Climate is central to our policy agenda and government regulations	<b>65%</b>
Climate is central to our business strategy	<b>61%</b>
Climate is primarily a matter of regulation and compliance	<b>15%</b>

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*I think there's no question that sustainability in its widest sense, of which climate is a part, is a key existential threat, but also an opportunity for business, so everyone needs to understand its relevance, if it's a threat or opportunity, and how it translates into your business plan.”*

Chapter Zero UK member, 2023

# The NED advantage, and duty to act

What also emerged is that NEDs understand their own agency in the climate response.

As individuals, they believe they are also in a strong position to make positive change; 88% said they believe they are able to influence the board on climate matters.

But while they are confident of their ability to wield influence in the climate discussion, only 2 in 5 NEDs believe their board views climate action as a high priority, and 93% say that the climate challenge requires new forms of thinking and leadership from the boardroom, the Executive and the workforce.

## 88%

of NEDs believe they are able to influence the board on climate action.

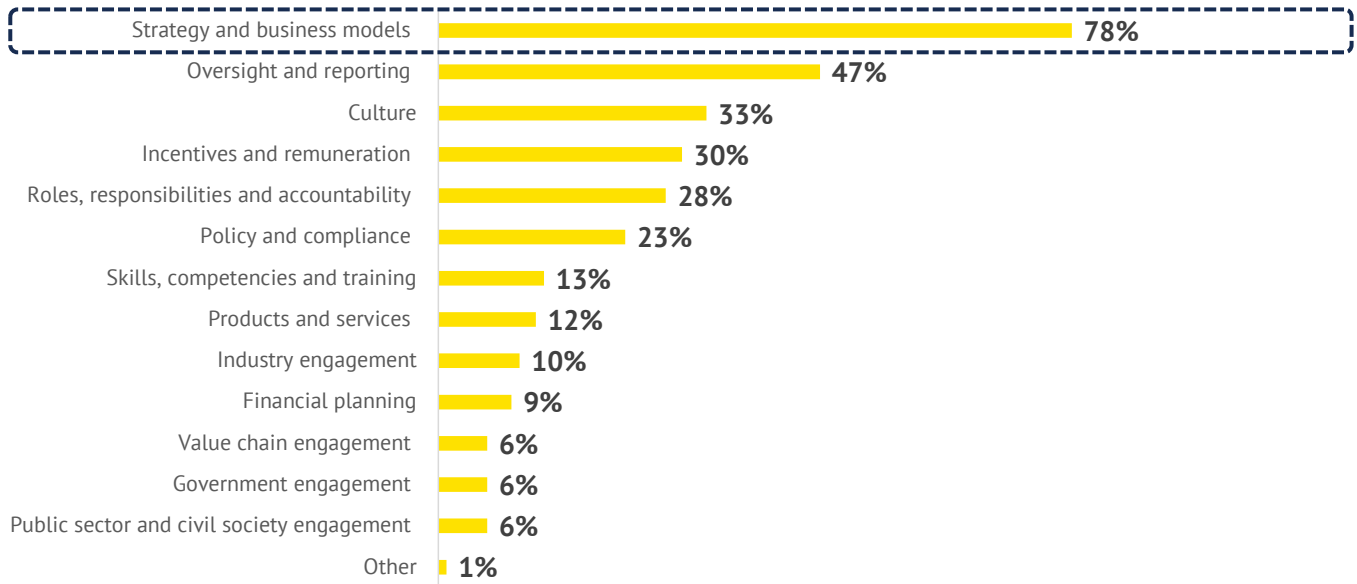
## 93%

of NEDs believe that their board is able to influence the organisation's direction on climate action.



The areas where NEDs feel they have most influence within their organisations are business strategy – where 78% said they could have an impact and oversight and reporting (47%). However, they feel that they have less ability to

influence engagement with government (6%), with the businesses' value chain (6%) and with civil society more broadly (6%).



# Barriers to climate action

When asked what was holding back the board from taking climate action more quickly...

... NEDs responded that the main barriers to overcome are a lack of prioritisation of the issue (41%), knowledge gaps (39%), a lack of resources (31%) and misaligned financial incentives (21%).

Short-term commercial imperatives as opposed to longer-term resilience	26%	<b>Climate not seen as a priority</b> 41%
Lack of a clear strategy	13%	
Climate/sustainability experience is not a consideration for board composition	12%	
CEO does not prioritise this	11%	
Lack of board education on climate	21%	<b>Lack of Knowledge</b> 39%
Uncertainty on regulations and standards applicable to our company	21%	
Data availability	24%	<b>Lack of Resources</b> 31%
No ESG/sustainability committee	11%	
Lack of investor pressure	15%	<b>No Financial Incentives</b> 21%
Remuneration targets are largely financial with limited non-financial targets	9%	
Remuneration targets prioritise short-term versus long-term incentives	7%	
Current operating model restricts ability to act on ESG targets	7%	<b>Operational Limitations</b> 7%

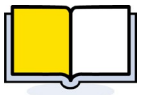
Moreover, the tension between long-term resilience and short-term commercial interest is much more of a barrier to those businesses yet to start their transition (34%) than those which already have (16%). The fact that climate action and business success are still perceived to be in competition for some, highlights that many boards aren't

yet making the association between climate change and long-term business resilience. There is a big opportunity for NEDs to work to change this perception and advance the climate agenda.

# What enables NEDs to drive change?

While there is still work to be done, most boards (73%) are already embedding climate action into their strategy and business models.

When asked what levers help them to drive impact in their organisations, NEDs said that sharing knowledge, understanding business priorities, and collaboration are key enablers for climate action success in the boardroom.



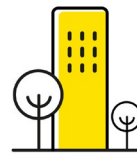
Knowledge & education



Understanding the business impact



Board working together



Allies



Regulation

## The role of Chapter Zero UK in driving board-level climate action

- Chapter Zero membership is encouraging NEDs to take action in the boardroom.
- 62% of NEDs have been inspired to take action in the boardroom based on their engagement with Chapter Zero.
- This rises to 77% of NEDs who have been members for more than a year.
- Longer-term members of Chapter Zero are more engaged, more likely to recommend Chapter Zero to others, and more likely to be having impact in their organisations – fuelling a positive cycle of change.
- 75% of NEDs who have been a member for 1 year, say they are able to influence their board on climate issues, compared with 25% of those who have been a member for less than 1 year.



# Putting strategy into action

While most NEDs (73%) say their organisation is factoring climate into their strategy...

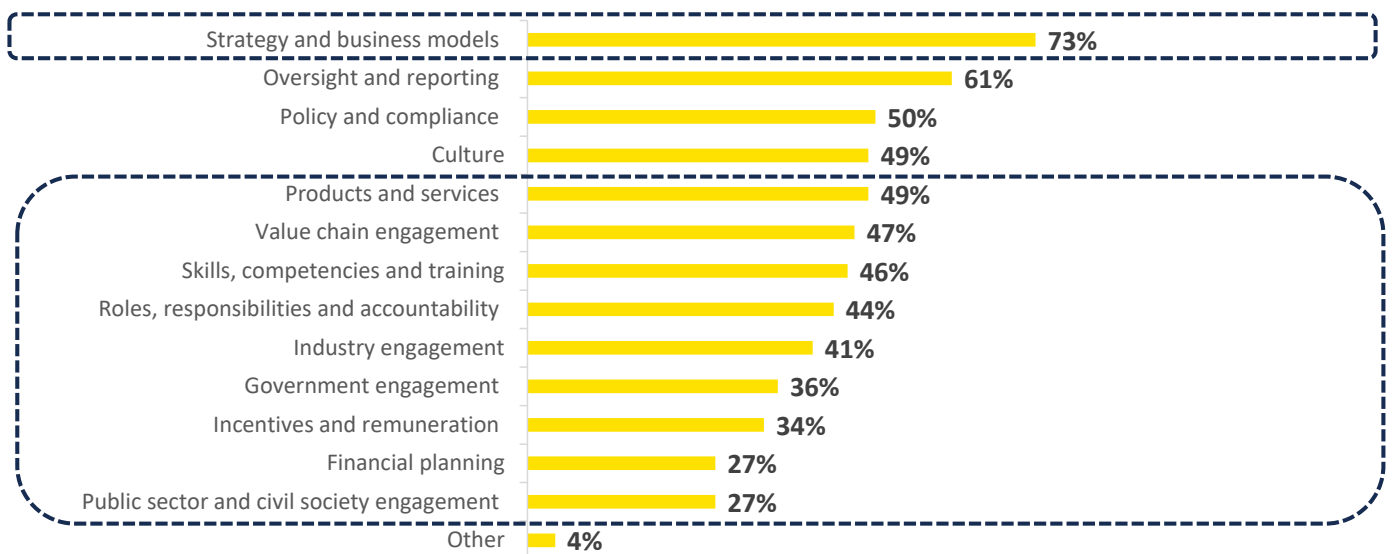
... comparatively few say the same of more concrete actions such as financial planning (27%) or incentives and remuneration decisions (34%). Many boards have now put climate on the agenda, but this has not yet translated into profound business transformation. This time lag between climate being a topic of discussion at board level and it being truly embedded into business strategy may start to shrink because climate is seen by NEDs as a growth and innovation opportunity (89%) rather than a matter of compliance.

To close the gap, NEDs believe that there needs to be new forms of thinking and leadership from the boardroom, the Executive and the workforce (93%).

# 93%

Believe that climate requires new forms of thinking and leadership from the boardroom, the Executive and the workforce.

They also acknowledge that there is a role for NEDs to play, by demonstrating that they are action-orientated, and this needs to be supported by strong expertise and communication skills.



# Working together to turn strategy into action

We are at an inflection point, where climate is now on the agenda in the boardrooms and there are more and more climate-competent NEDs who are ready to lead.

And the outlook is positive: more NEDs are getting themselves up to speed on climate, joining forces and learning from each other.

One indicator of this is the growing membership of Chapter Zero UK, which now sits at nearly 3,000 members, up from 2,000 at the start of 2023.

There is an opportunity for NEDs to further accelerate board actions on climate but for this to happen, there needs to be a collective focus on translating strategy to action. The scale of the challenge requires a collective board-level mindset shift where climate is seen as a full board agenda item, impacting every Committee and one that translates into real engagement and change at an operational and cultural level within business.

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*If we can shift the overall mindset, the board can more easily and effectively work together to drive significant change.”*

Chapter Zero UK member, 2023

KANTAR



# Working together to turn strategy into action

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With presence in over 90 markets, we work globally with 65 of the Fortune 100, 93 out of 100 of the world's largest advertisers and are the partner of choice for the world's biggest technology companies. Specialists within the cross section of sustainability and brand building, Kantar's global Sustainable Transformation Practice advises clients at different points of their sustainability journey underpinned by our industry-leading solutions.

For more information please visit: <https://www.kantar.com/uki/expertise/sustainability>

## About Chapter Zero UK

Chapter Zero exists to equip and inspire Non-Executive Directors and Chairs to lead on climate from the boardroom. It is a peer-to-peer community representing over 70% of the FTSE 350 and ranging from large private companies to SMEs. Members are helping ensure their companies are fit for the future and that global net zero ambitions are transformed into robust plans and measurable action.

For more information please visit: <https://chapterzero.org.uk/>

## Methodology

This research was conducted by The Sustainable Transformation Practice at Kantar on behalf of Chapter Zero UK through a combination of vision interviews and a quantitative survey of 135 respondents with Chapter Zero UK's Non-Executive Director membership base.

Please cite Kantar when using data from this report.



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