Chapter Zero
The UK Directors' Climate Forum

GARP®

NAVIGATING DILEMMAS AROUND CLIMATE- AND NATURE-RELATED RISKS:

Board Discussion Prompts:

1 minute read

Climate scenario analysis is a vital way for boards to assess their strategy and support organisational resilience. Forward-looking non-executive directors (NEDs) can use scenarios to drive meaningful future-focused conversations about the implications of different warming outcomes, different paths for future decarbonisation, and different directions for policy and technology developments.

On 26th February global non-executive directors participated in an interactive global fashion scenario game, a webinar organised by Chapter Zero and GARP (the Global Association of Risk Professionals) Risk Institute. Attendees acted as the board of a fictional fashion company — Blink, Plc., voting on three critical future dilemmas the company might expect to encounter over the next five years. In each case, the nature of the dilemma, its ramifications, and the risks and opportunities inherent in the board's response are resonant beyond the fashion industry and are relevant to all sectors of the economy – as such these dilemmas can be a useful springboard for discussion in every boardroom.

Good climate governance is all about asking the right questions within and beyond the boardroom. Chapter Zero's Board Discussion Prompts equip non-executive directors to provide robust oversight and challenge. These questions will ignite discussions that inspire your fellow board members and executive teams to dig deeper into the issues, building climate resilience and enhancing value together.

- What are the main risk categories (physical, transition, reputational, etc.) that pose the greatest threat to our organisation?
- Have we considered how our key identified risks interact and the outcome of intersecting risks possibly amplifying each other?
- What are the long-standing assumptions the organisation has made about asset resilience, consumer behaviour and supply chain stability? How frequently are we asking experts or carrying out surveys/focus groups to test these assumptions?
- Are we organised to keep our assumptions and oversight frameworks up to date? Do we have a designated champion?
- Have we assessed our risks across multiple time horizons, using forward-looking data? At what point/in what scenario do the markets impose higher costs of capital?
- Are we restricting our future strategic mobility by not revisiting early capital allocation choices?
- How will delaying the creation/enactment of governance mechanisms for assessing supplier relationships affect our long-term resilience?
- How much of our spend is allocated to suppliers who meet sustainability criteria or minimise risks in the categories we are most exposed to?
- Are we proactively considering ways in which our approach to near-term financial performance can be aligned with long-term resilience? What is the strategic potential of doing so, and how does this interact with shareholder expectations?
- How do we build flexibility to evolve the business in line with the clean energy transition as we receive better customer and market information?

Explore the full workshop on Chapter Zero's knowledge hub