CHAPTER ZERO'S POLICY MATTERS SERIES

BOARDROOM BRIEFING

Proactivity on policy matters: ensuring effective engagement on transition policy and dependencies



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8 minute read

Boards play a pivotal role in setting the strategic ambition for the company's transition. But companies cannot realise this ambition alone. In most cases, to meet their transition goals, an organisation is reliant on wider policy, economic and sector shifts. Boards cannot afford to 'wait and see' which way the head or tailwinds will take them. They can encourage their organisations to actively participate in the transition conversation. And the evidence is clear that such engagement matters.

In a period of political uncertainty and economic transition, the challenge for companies is not whether to engage with the changing policy and regulatory landscape, but how to engage effectively. Those organisations that can combine clear strategic objectives with trusted relationships, strong evidence, adaptive approaches and transparent governance will enable their businesses to thrive as the new low-carbon economy emerges.

"Our nature is always to lean in. And we lean in because we really believe in our ambition. Influencing and guiding policy will help us achieve not only our net zero ambitions, but also our broader sustainability and business ambitions. They're all linked together. It's not for boards to sit back and wait for policy and hope it goes in the right direction because it won't. It often doesn't or nothing happens."

Shonaid Jemmett-Page, NED, Aviva
– quoted in Chapter Zero's 'Policy matters in the boardroom case study series, *"Leaning in" and leveraging the NED long lens*: Aviva'

The latest research from Oxford Net Zero and the University of Oxford's Smith School of Enterprise and Environment shows that positive, proactive policy engagement should be viewed as a strategic business function that can help organisations to:

- **strengthen competitive advantage,**
- **enable the delivery of transition plans,**
- **and maintain corporate credibility.**

"Policy can set the direction, but boards must ensure the journey happens. It will require leadership and collaborative action to deliver the homes we all need."

Geeta Nanda, NED, Barratt Redrow Plc
– quoted in Chapter Zero's 'Policy matters in the boardroom case study series, *"Partnering, informing, shaping and challenging"*: Barratt Redrow'

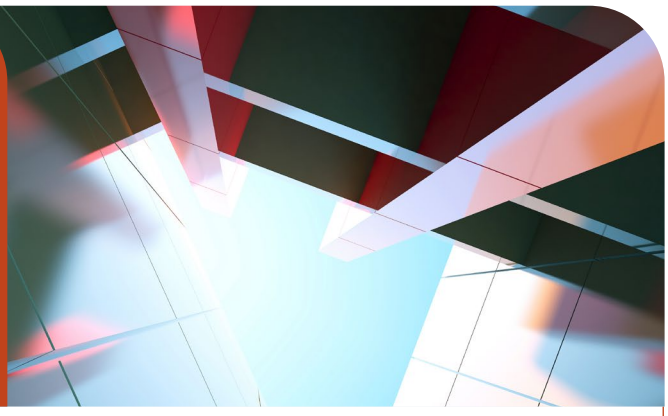
The full research is detailed in the 'Enterprise Brief: Successful Corporate Approaches to Climate Policy Engagement' and summarised below, so boards and non-executive directors (NEDs) can appropriately encourage and challenge their organisations to engage effectively. This summary can be read alongside Chapter Zero's new case study series – 'Policy matters in the boardroom' to understand what effective NED engagement and board oversight looks like in practice.

Is your organisation engaging effectively?:

6 CRITICAL SUCCESS FACTORS BOARDS SHOULD BE AWARE OF

The research highlighted 6 critical success factors for effective engagement – boards can use these to direct conversations with their executive teams to ensure their engagement strategies are fit for purpose:

1. Ensure engagement strategies are closely tied to the business's transition plan needs, and address material issues and dependencies.
2. Time strategic engagement to have the most impact in the policy or decision-making cycle.
3. Tailor engagement strategies to the political context/jurisdiction.
4. Be dynamic and adaptive: horizon scanning to understand the potential direction of travel, setting your governance and teams up to allow you to be responsive as issues arise, and integrating policy and regulatory issues into scenario planning.
5. Consider carefully who is the messenger and how the message needs to be delivered to have the most impact.
6. Maintain robust governance throughout from strategy setting to execution, ensuring that the general approach is clear, transparent and well reported.



BETTER BOARD QUESTIONS:

Ensuring effective engagement on transition policy and dependencies

1. Have we thoroughly mapped our transition plan dependencies and identified where we are reliant on wider sector/economy policy and regulatory change?
2. Do we have a clear strategy for engaging on these dependencies, with aligned KPIs?
3. Do we have clear governance controls in place to ensure engagement is effectively managed and can be transparently reported on?
4. Have we conducted a thorough audit of our trade association and coalition memberships to ensure alignment with our strategy? If misalignment is identified, have we got a plan in place for managing this?
5. Are we making the most of our own research, learnings and market knowledge to build a strong evidence base that can support credible engagement with sector peers and policymakers?
6. Do we have the right skills in the board to engage with confidence? Could we be utilising the expertise of individual board members to lead wider industry debates and advocate for the changes needed to accelerate the transition and support successful industry outcomes?

The board business case for putting policy engagement on the agenda

According to Oxford Net Zero's research findings, there are three key motivating factors that underpin why boards should encourage proactively engaging in this way:

MOTIVATING FACTOR 1:

Climate policy engagement strengthens competitive advantage and allows capture of transition opportunities.

Companies participating in the research shared how policy engagement had enabled them to:

- create a level playing field, avoiding first-mover disadvantage or paying a "green premium" for decarbonisation; and
- open up new markets and opportunities for value creation.

MOTIVATING FACTOR 2:

Climate policy engagement enables delivery of transition plans.

Increasingly, investors expect credible transition plans to state the assumptions they are reliant on for delivery, e.g. grid infrastructure, technology scale-up.

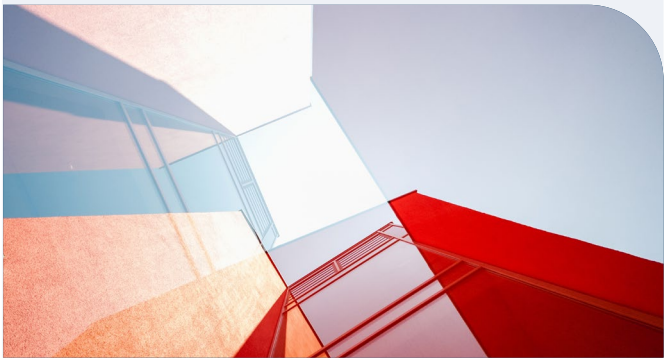
Forward-looking boards go beyond stating assumptions and question how the organisation can address these dependencies – policy engagement is a practical mechanism for doing so. NEDs can read more about the board's role in identifying and managing dependencies in: Depend on it: why external enablers are now core board business – Chapter Zero.

MOTIVATING FACTOR 3:

Climate policy engagement is an increasingly accepted part of what it means to take credible corporate climate action.

Many key stakeholders now view policy engagement as an indicator of a company's strategic approach and commitment to its transition:

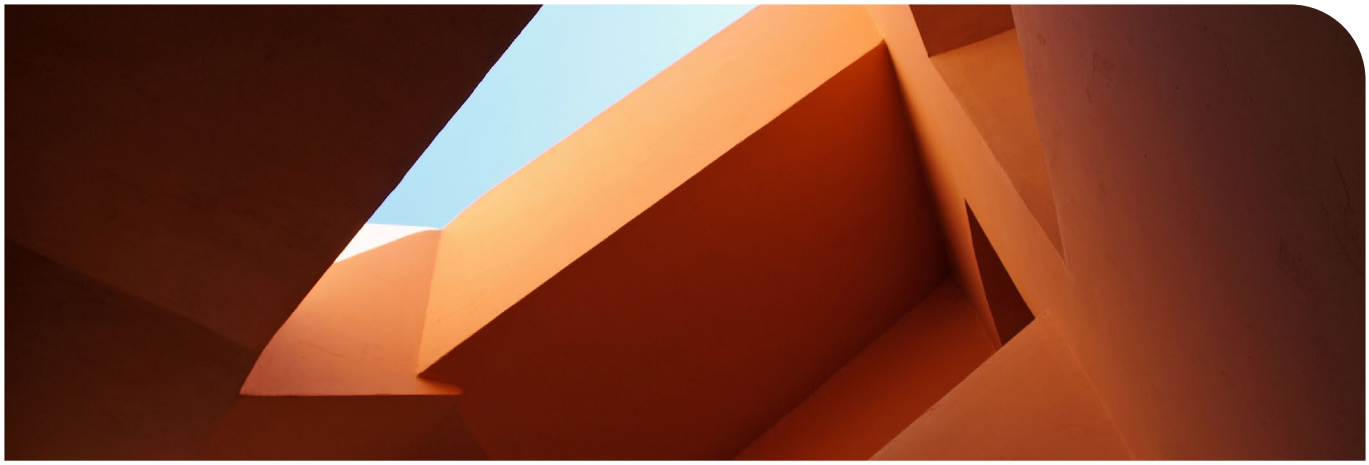
- more than three-quarters of major standards and voluntary frameworks include recommendations or expectations relating to responsible policy engagement and lobbying alignment;
- investors are scrutinising corporate governance around trade associations and policy positions;
- tracking and benchmarking initiatives are checking that direct lobbying and trade association activity align with an organisation's stated climate goals.



Establishing the governance for effective engagement

Boards can play a vital role in setting the strategy for the different ways a company might engage, and should also establish governance oversight for effective engagement. There is no one-size-fits-all approach and most organisations will need to engage in multiple ways. Leading companies use a combination of direct engagement with policymakers, influence through trade associations, and coalition building with businesses, investors, NGOs and others. Each approach offers distinct advantages and is most effective under different circumstances. What matters most is not the specific mechanism chosen, but whether the engagement is aligned with business strategy, focused on clear policy priorities, informed by robust evidence and adapted to the political context in which it is being pursued. For example, Maersk, the Danish shipping and logistics company (one of the case studies featured in Oxford Net Zero's research), engages directly with national governments and the International Maritime Organization (IMO) to advocate for stronger shipping regulation and a level playing field for the maritime energy transition; uses its engagement with trade associations to advance policy positions that align with its climate objectives; and participates actively in industry coalitions, including the Getting to Zero Coalition and First Movers Coalition, to build wider industry support and market demand for low-emission shipping solutions. The importance of taking a holistic approach that combines technical expertise with industry leadership is also evidenced in Chapter Zero's case studies, which demonstrate how forward-looking companies can:

- use a combination of direct engagement with policymakers, influence through trade associations, and coalition building with businesses, investors, NGOs and others; and
- adopt approaches that are aligned with business strategy, focused on clear policy priorities, informed by robust evidence and adapted to the political context.



Toolbox of approaches

For practical examples see Chapter Zero's 'Policy matters in the boardroom' case study series, with initial case studies featuring Aviva and Barratt Redrow

Approach	Description	When this works	How the board can support	How this shows up in practice
Direct engagement	Direct engagement with policymakers	• Clear policy window • Aligned with business interest • Mapped to climate policy dependencies • Long-standing relationships fostered	• Ensure clear governance oversight to avoid reputational risks • Consider board-level to senior policymaker level dialogue through consultations, roundtables, advisory groups, etc.	E.g. Aviva's Low Carbon Investment Policy Roadmap
Indirect engagement: 1. Shaping the conversation through thought leadership and pilot programmes 2. Influencing and engaging through trade associations	1. Shaping the conversation through publishing thought leadership, participating in public dialogue via events, platforms and other channels 2. Engaging with and shaping trade association positions	• Using industry expertise, research and pilot programmes to inform sector/economy/public-wide debate • Co-ordinated with other companies and, if appropriate, investors • Companies have an active voice in their trade associations • Constructive challenge of misaligned policy positions	• Ask the executive for an audit of all current trade association memberships and policy positions to map strategic alignment	E.g. Barratt Redrow's leadership role in the Future Homes Hub
Coalition forming	Partnering with aligned organisations on policy priorities	• Companies united by priority and diverse by type • Strategic partnerships with NGOs or other third parties in line with competition law guidance	• Harness the non-executive director's portfolio perspective to scan for potential partnerships • Establish objectives and parameters for sectoral collaboration, including effective governance for information sharing	E.g. Aviva's involvement in the FloodAction Coalition