



Chapter
Zero Brussels

Overcoming barriers to effective climate governance





EXECUTIVE SUMMARY

The findings reported in this document are based on a survey that we conducted to uncover the barriers to act on Climate Change within the Board of Directors. This project was made possible through the generous support of the King Baudouin Foundation, through their call for projects “Tous chaud pour le climat / Iedereen warm voor het klimaat”. We would also like to thank **Profacts** for their invaluable support in designing, building and analysing the survey.

Climate Change is the defining challenge of our time and is already impacting businesses across industries, with these impacts intensifying over time. The risks posed by Climate Change, including physical, regulatory, and reputational risks, requires strategic action with the Board of Directors well placed to guide their companies through the transition. These risks are largely seen as material, with more than 90% of respondents agreeing that Climate Change is already or will impact their businesses.

However, many Board Members encounter barriers that hinder them from acting strategically and effectively on Climate Change. By overcoming these barriers they can navigate the risks, leverage the opportunities, and drive sustainable growth for their companies while supporting the transition to a decarbonised economy.

According to the respondents of the survey:

Top 5 barriers, ranked in terms of importance, are:

- 1 A lack of time and resources - competing priorities
- 2 A lack of understanding and expertise on the topic
- 3 A focus on short-term profitability
- 4 A perceived lack of pressure from stakeholders to act on Climate Change
- 5 Limited resources to invest in emission reduction actions

Depending on progress made at establishing climate governance within the board, different barriers were identified. For those with little to no progress on climate governance, significant barriers exist related to personal commitment and openness to learn and change, both at the board and management level. Once the board has made a commitment to climate governance, they face new barriers moving towards implementation. There is still too much of a focus on short-term strategy and profitability.

Moving forward

The survey also highlighted several actions that are key to incorporating climate governance into a company's strategy, which in turn will be instrumental in moving the company from targets to action on Climate Change. The top three drivers include:

- 1 Support from the most senior leaders - especially the Chair and CEO
- 2 Education and upskilling of Board Members
- 3 Integration into strategy & decision making

Based on these drivers and further insights, this report shares key recommendations for Board Members to overcome barriers and build effective climate governance within their boards.

SURVEY METHODOLOGY

The study surveyed 170 Board Members from a diverse set of companies, of which 65% represent companies with their headquarters in Belgium and 32% have their headquarters in Western Europe. 73% of respondents were aged between 45 - 64, with 42% female and 58% male.

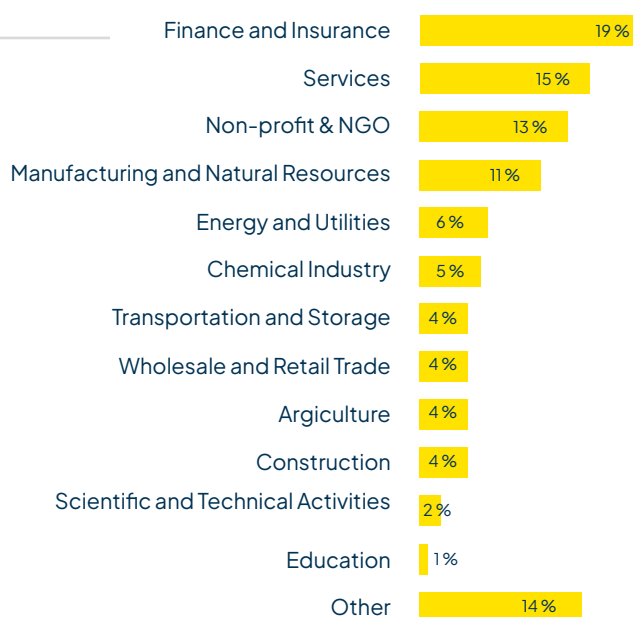
Size of company



Revenue

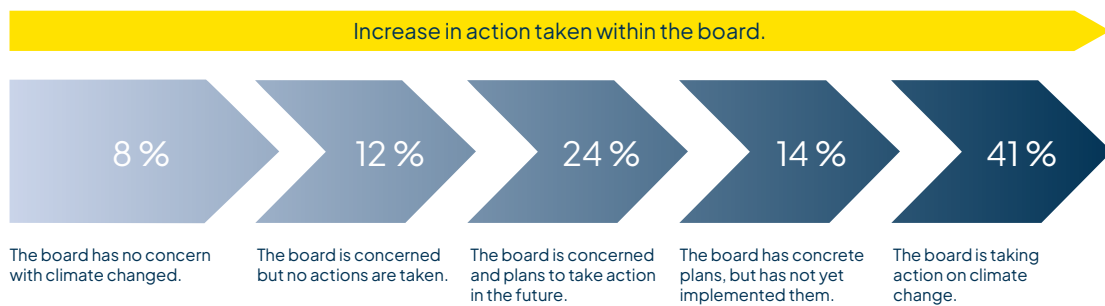


Sectors





The focus of the survey was to understand the barriers to & the drivers of acting on Climate Change within the Board of Directors. The survey was structured and divided based on the level of action currently taken at board level and the results allow us to understand the barriers and drivers for boards at different stages of their journey.



Question: If you had to summarise the current situation of the board concerning Climate Change, which statement fits best?

59% of Board Members surveyed have indicated that their boards are not yet taking any action on Climate Change.

While we see that 41% of the respondents reported having some form of climate governance in place at board level, the survey also highlights that within this group barriers are still present and there are improvements to be made to effectively integrate climate risk & opportunity into the company strategy.

The largest and most energy intensive companies (transport, energy, manufacturing, chemical sectors) tend to be more advanced in their progress towards climate governance. For example, of those responding from the chemical industry, 100% of respondents have either concrete plans in motion, or have already implemented actions at board level.

UNDERSTANDING THE BARRIERS

Climate Change is largely seen as a material issue for companies, with more than 90% of respondents agreeing that Climate Change (including risks, opportunities, laws and regulations) is already or will impact their business. Individual motivation to act on Climate Change is very high, with more than 95% of respondents saying that if there were no barriers, they would put in place effective climate governance within their boards.

So what is stopping action? What are the barriers that stop boards acting strategically on Climate Change?



The survey shows that the top 5 barriers, ranked in terms of importance, are:

1 A lack of time and resources - competing priorities

Boards have a range of issues to deal with and limited time to do so. They are not prioritising Climate Change as a key strategic topic in the boardroom.

2 A lack of understanding and expertise on the topic

Climate Change is a complex and transdisciplinary issue that is evolving rapidly, in terms of risks and opportunities related to (among others) physical impacts, regulations, and emerging technologies. There is a lack of 'climate competency' among Board Members.

3 A focus on short-term profitability

Boards and executives are focused on the short-term, while Climate Change is seen as a more long-term risk, beyond the typical business planning cycles.

4 A perceived lack of pressure from stakeholders to act on Climate Change

Board Members are not aware of, nor prepared for, the rapidly rising expectations of their stakeholders including investors, customers, regulators, employees and supply chains.

5 Limited resources to invest in emission reduction actions

Climate action will require companies to invest time and resources in the short term, with some projects experiencing longer payback periods than typical investments.

Depending on progress made at establishing climate governance within the board, different barriers were identified.

Top barriers – Common to all surveyed Board Members:

- A lack of time and resources - competing priorities
- Lack of understanding and expertise on the topic
- A perceived lack of pressure from stakeholders

Top barriers – Unique to laggards (no concern or action on climate at board level)

- A lack of support from key decision makers (Chair / CEO)
- Climate action is not part of the company strategy, there are no metrics or targets
- Resistance to change within the management and or board
- A lack of support and attention from management

For those with little to no progress on climate governance, significant barriers exist related to personal commitment and openness to learn and change, both at the board and management level.

Top barriers – Unique to those more advanced (planning action, but not yet implemented)





- Limited resources to invest in emission reduction actions
- A focus on short-term profitability
- Uncertainty on relevant regulations
- A lack of standards for a specific industry



















Once the board has made a commitment to climate governance, they face new barriers moving towards implementation. There is still too much of a focus on short-term strategy and profitability. Waiting for clear guidelines from specific industry standards or regulations also highlights a fear of change and 'first-mover risks' associated with early action.

LARGE GAP BETWEEN PLANS & ACTION























When looking closer at the gap between boards that are “planning to take action” on Climate Change and those that are already acting, we see large differences in the role of the board, understanding of risks & opportunities, and strategic integration.

Question: To what extent do you agree with the following statements? (% of respondents agreeing with the statement)

	Plans action in the future	Already implemented actions
The role of the board		
Climate Change is important in the current decision making of the board	49% 	97% 
The CEO and Chair are passionate and committed to prioritize Climate Change.	54% 	93% 

	Plans action in the future		Already implemented actions	
The board contains one or more climate competent directors	39%		81%	
Board directors personally follow key initiatives	56%		76%	
The board's remuneration committee links incentives to climate-related initiatives and progress on metrics	27%		61%	
The board has an effective Climate Change/ Sustainability Committee	24%		57%	
Risks & Opportunities				
The board feels the need to act on Climate Change in the interest of the long-term resilience of the company	68%		100%	
The board understands the short and long-term risks that Climate Change poses to the business	68%		97%	
The board understanding the short and long-term business opportunities offered by acting on Climate Change	51%		93%	
The company has done a scenario analysis to understand risks Climate Change poses to the business in the future	34%		80%	
Strategic integration				
Climate-related initiatives are owned by the company's most respected senior leaders	58%		87%	

Bringing Climate on Board

	Plans action in the future		Already implemented actions	
The board is made up of diverse individuals	34%		94%	
Climate Change is an integral part of broader business planning.	51%		94%	
Procurement decisions consider sustainability impacts	46%		93%	
The company collaborates with external partners	59%		93%	
Climate-related targets are owned by the company's most respected senior leaders.	41%		91%	
The company has sufficient plans and resources	51%		90%	
All investment cases consider the impact of emissions and Climate Change.	29%		89%	
The board and executives have had well researched discussions	56%		86%	
The board has taken action to upskill existing Board Members	54%		70%	
The board has changed its composition	27%		60%	
The company has set an internal carbon price and uses it to guide decision making.	10%		34%	



OVERCOMING THE BARRIERS

Most important drivers to ensure effective climate governance

The survey has highlighted several actions that are key to incorporating climate governance into a company's strategy, which in turn will be instrumental in moving the company from targets to action on Climate Change.

These drivers are outlined below:

- 1 Support from most senior leaders - especially the Chair and CEO
- 2 Education and upskilling of Board Members
- 3 Integration into strategy & decision making

1. Support from most senior leaders – especially the Chair and CEO

According to the respondents of the survey, the most important aspect to ensure climate action at the board level is support from the Chair and CEO. The second most important aspect is making Climate Change an important consideration in the decision making of the board, which is also closely linked to having the support and attention from the Chair and CEO.

Among those most advanced on climate governance:

- 91%** say that their climate strategy is owned by the company's most respected leaders
- 93%** say that the CEO and Chair are passionate and committed to prioritise climate action
- 97%** say that overall, Climate Change is important to the decision making within the board

The most advanced boards also show a stronger personal commitment to act and a genuine concern about the impacts of Climate Change.

- When asking the question "What are the motivations behind the board's commitment to act on Climate Change?", more advanced companies are almost twice as likely to mention their "concern about Climate Change" than those who have concrete plans but have not yet implemented them. (81% vs 42%)



Companies have their duties regarding Climate Change, both by fighting the threats and by developing opportunities.

As this approach involves all the stakeholders of the Company and even beyond, the vision and the engagement of the Company need to be fed, driven and supported by its leadership, starting with the Chair and the CEO. The key is impacting by example and leadership.



**Jacques van
Rijckevorsel**

Chairman of the Board
of Directors at Cliniques
Universitaires Saint Luc
and at Cofinimmo

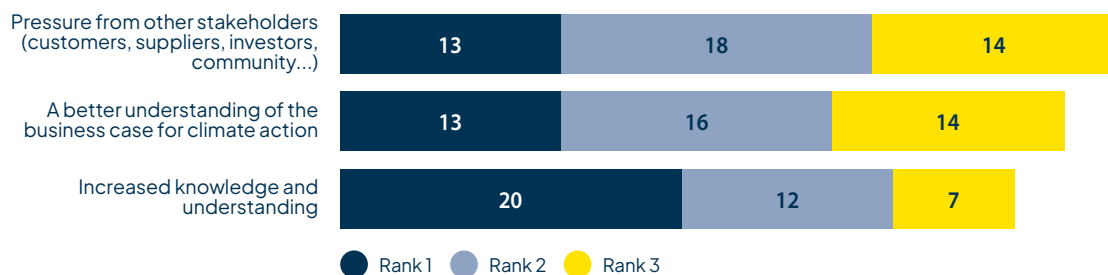


2. Education and upskilling of Board Members

Having one or more climate competent directors in the board is listed as a top priority to ensure action on Climate Change. As the topic of Climate Change, and the systemic risks and opportunities associated with it, are inherently complex and ever-changing it is important that the board feels knowledgeable enough to discuss, debate and guide the company accordingly. Upskilling current Board Members and/or recruiting new Board Members with the appropriate knowledge will be increasingly important in the coming years.

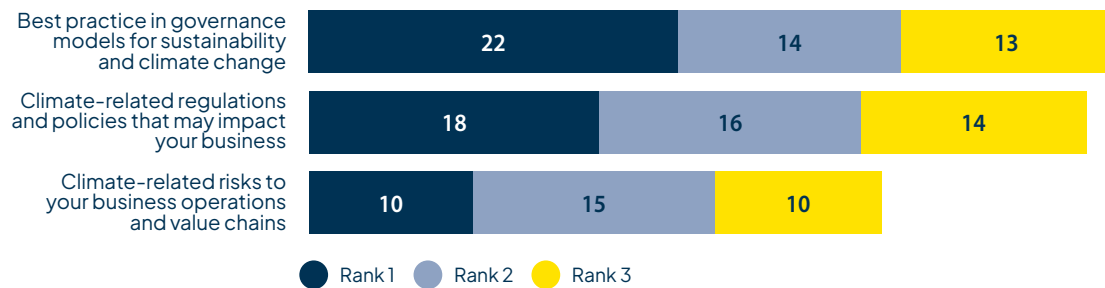
Increased knowledge and understanding, and a better understanding of the business case are mentioned as key ways to inspire further action within the board. Increased pressure from stakeholders was also ranked highly, as a means to inspire action among the board. This may highlight a lack of knowledge and understanding of current regulations, policies and concerns from wider stakeholders including investors, employees (current and future), regulators and customers.

Question: What do you think would convince the Board Members to commit (even more) to climate action? (Top 3 shown)



Education programs for Board Members to learn more about Climate Change should focus on best practice sharing and learning from peers, governance models and practical tools, regulations and policies relevant to the business / sector, and potential risks to the operations and value chains.

Question: What topics do you think are most important for Board Members to learn more about? (Top 3 shown)



We are living through an unprecedented time of change and the transformations we are seeing are transversal, across subjects and sectors. Now, more than ever, I think it is very important for a Director to be in this mindset of curiosity, humility and willingness to continuously educate oneself.



Natacha Lippens

Chair of Chapter Zero Brussels and Director on several other boards

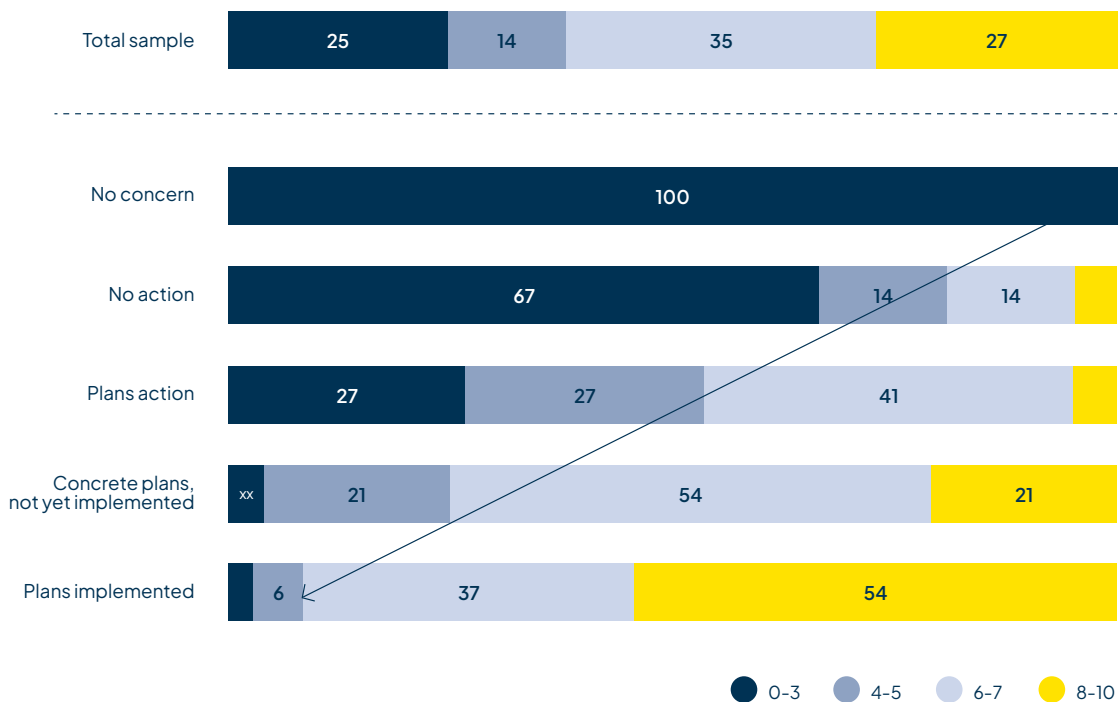
3. Integration into strategy & decision making

Strategic integration is crucial in order to truly advance climate action and move beyond targets. Companies that already have climate governance in place within their boards are much more advanced in integrating their climate strategy into the broader business strategy and are more systematic at including climate risks and opportunities within their decision making.

Of respondents most advanced in their climate governance, it is observed that:

- 100 %** say that the board feels the need to act on Climate Change in the interest of the long term resilience of the company.
- 92 %** are confident in their company's ability to adapt to future impacts of Climate Change, compared to 48% of those who are concerned, but not yet acting.
- 90 %** say that the full board is involved when discussing climate risk & opportunity, with around ¼ mentioning that the climate strategy is also discussed within the audit and risk committee.
- 95 %** discuss the climate strategy at least annually.

Question: On a scale from 0 to 10, at the moment, how important is Climate Change in the decision-making process of the board?



When we look at the most advanced boards – those who already have climate governance structures in place or have concrete plans to do so, we notice that despite significant progress and a strong willingness to act, there is still much to do to truly integrate climate risks and opportunities into the company strategy. For example, only 1 out of 3 are discussing their climate strategy on a quarterly basis, only 61% are linking executive incentives to climate-related targets, and only 34% mentioned that they are using an internal carbon price to guide decision making.

It is interesting to note that as boards progress with their plans, their perception about the cost of climate action changes.



Board Members that are concerned about Climate Change but have not yet acted **> 17% feel that climate action will save money for the company.**

From those that have already implemented plans **> 43% feel that climate action will save money for the company.**

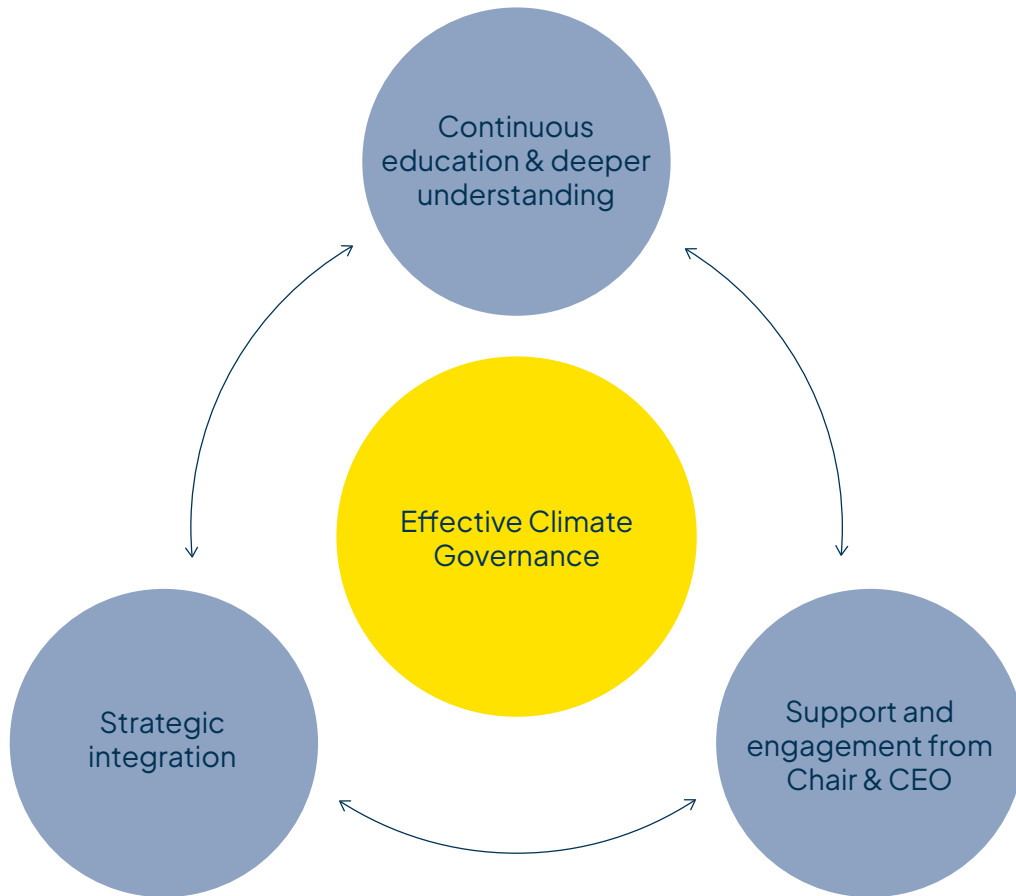


The implementation of climate governance faces barriers such as reluctance to change, prioritisation of short-term profits over long-term sustainability goals or limited board-level expertise on climate issues. I am however convinced that we can overcome these barriers through increasing the awareness among the Board Members on these topics, ensuring the CEO and the Chair provide strong support and finally, making sure climate change is recognised in the risks and opportunities and embedded in the corporate strategy.



Emilie van de Walle de Ghelcke

Member of the Board of Directors of Bekaert



A SELF-REINFORCING CYCLE

All three drivers are intrinsically linked and reinforce each other. Through high quality education and building a deeper understanding of the risks, opportunities and business case of acting on Climate Change, we can build further engagement among Board Members including the Chair and CEO, which will further support deep engagement, effective governance and integration with the strategy of the company.



RECOMMENDATIONS TO OVERCOME BARRIERS AND BUILD EFFECTIVE CLIMATE GOVERNANCE

Build support among the most senior leaders

- Focus on raising awareness of the **specific risks and opportunities** for your company & sector through, for example, a detailed executive briefing for senior leaders
- Facilitate **peer exchanges** with other CEOs and Chairs that are already **taking action** and seeing the benefits of doing so
- Facilitate dialogue between the Chair and/or CEO directly with stakeholders (including regulators, customers, employees, investors..) on the topic of sustainability and climate change
- When evaluating and/or hiring new CEOs and Board Members, **consider climate competence and wider sustainability knowledge as a key differentiator**

Make space for continuous learning to ensure an up-to-date and holistic understanding of the issues which may impact your business (...)

Build climate competency within the board

- Board Members should consider joining their local chapter of the Climate Governance Initiative to **stay connected, informed and aware of the climate topics most relevant to them as Directors**
- Make space for continuous learning and engage with a variety of different stakeholders on the material topics to ensure an **up-to-date and holistic understanding of the issues which may impact your business** and how your business is impacting external stakeholders (double materiality)
- When considering succession planning and recruiting, **ensure a diverse set of Directors from a variety of backgrounds**, including profiles that are 'climate competent'
- Consider including a **representative of the younger generation** (NextGen) and/or another relevant stakeholder group on your Board of Directors
- Hire **external experts** as needed or commission in depth reports for topics of particular relevance
- Establish a specialised sustainability advisory committee (or sub-board)
- **Seek out specialist training** (individuals and full boards) to become climate competent. See the Director Climate Journey, a joint certificate program hosted by Vlerick Business School and Chapter Zero Brussels aimed at increasing climate competence among board directors.

Integrate Climate risks & opportunities into the business strategy and decision making within the board

In order to ensure that **climate risks and opportunities** are integrated and become part of the decision making process of the board, **Board Members should ensure the following steps** are taken within their companies:

Getting Started:

- Undertake a comprehensive analysis across all areas of the business and its end-to-end value chain (Scopes 1, 2 and 3) including:
 - * Current and **forecast GHG emissions**
 - * A number of scenarios, including short and long term opportunities to **reduce emissions**
 - * A **long-term planning** horizon (10+ years)
- In light of that analysis, consider:
 - * **Climate Change related opportunities** the business could benefit from
 - * **Climate Change related risks** the business needs to mitigate/ adapt to
 - * Any modifications that may be required to the business model
 - * The use of **influence and positioning** to support the low carbon transition

Undertake a comprehensive analysis across all areas of the business and its end-to-end value chain

Build a strategy:

- Ensure a **clear strategic plan and targets** including a vision, statement of intent and priorities, with climate action clearly embedded in strategic and competitive positioning for the organisation
- Ensure the vision and key priorities have been embodied into SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound) strategic objectives for the business. In particular, evidence of a credible set of targets to achieve emission reductions (such as a net zero target supported by reductions in line with science-based targets, as recommended by the SBTi)

Ensure success:

- **Build a comprehensive, integrated assessment** of the change required to deliver on the above action areas and objectives, **across all areas of the business** and the end-to-end value chain
- **Define strategic plans and business cases** to deliver the change over the short, medium and longer term (10+ years), in all of the areas of change identified and as an integral part of broader business planning
- **Ensure sufficient resources** (financial and people) have been allocated to deliver the change, both within the organisation and its supply chain partners
- **Ensure the right metrics and mechanisms** are in place to track delivery and follow up regularly (at least quarterly) at board level
- **Ensure Climate Change priorities** are incorporated in investment and other decision making throughout the organisation (see tools such as internal carbon pricing and climate target remuneration schemes)

(The above has been adapted from the Board Toolkit developed by Chapter Zero - for more information see here: <https://chapterzero.org.uk/wp-content/uploads/2022/07/Chapter-Zero-Board-Toolkit-2022.pdf>)



THANK YOU TO OUR PARTNERS AND VOLUNTEERS

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Bringing Climate on Board

Chapter Zero Brussels is the Belux chapter of the Climate Governance Initiative, in collaboration with the World Economic Forum. We work to empower members of the Board of Directors to ensure climate accountability and to reduce emissions resulting directly and indirectly from their company's activities.

Want to get involved and support Chapter Zero Brussels achieve our mission of Bringing Climate on Board? Become a member or supporter today!

Visit our website:

→ www.chapterzerobrussels.eu

or send us an email:

→ info@chapterzerobrussels.eu