



Tackling Climate Change and Sustainability

Business should seize the opportunities that climate change offers rather than rely on governments to solve the issues.

David Hobbs examines the quandaries companies face.



To many executives it might seem that the Sword of Damocles hangs over their businesses when climate change is mentioned. As time moves on and public concern over the environment deepens, organisations that are failing to embrace the issue and take responsibility should rightfully feel a sense of impending doom.

On Day Two of Criticaleye's Non-executive Director Retreat, in association with [Brewin Dolphin](#) and [BDO](#), a panel discussed how companies ought to embrace climate change as an integral part of strategy and turn it into a potential opportunity.

"Businesses are the only organisations that can really solve climate change," **Andrew Minton**, Managing Director at Criticaleye, said. "Governments can lay down rules and investors can create pressure, but businesses need to take the lead."

It's more fundamental than adding solar panels or having sustainability strategies, **Andrew** continued, quoting Mark Carney, the Governor of the Bank of England, who asserted that if companies continue with business as usual, without adapting to the shift towards a net zero world to combat emissions and climate change, then they will be wiped out.

Carney's view follows a 2018 World Economic Forum report, *How to Set Up Effective Climate Governance on Corporate Boards*, that predicted potential losses arising from climate change between now and 2100 could run from \$4.2 trillion to \$43 trillion.

"It's an existential threat and it's our responsibility to deal with it as being central to our strategies," **Andrew** added.

“If you worry about climate change in your personal life, you should worry about it at work”

It's a view supported by **Karina Litvack**, Non-executive Director at Italian oil and gas company Eni SpA, who expressed optimism about the level of conversation on climate change in the UK between business and policymakers compared to the US, which she described as being "fundamentally allergic" to interfering in the market.

"Government is not going to fix this by itself so we, in the boardroom, have a tremendous opportunity to play a constructive role and shape the environment in which we operate," she said.

"What you need is business leaders to come out and say we need help, we need to do more, we need to sit down with our peers and with public policy decision makers and decide together how quickly and how hard we can push this."

Julie Baddeley, Senior Independent Director at Marshall Group and a founder of Chapter Zero, the climate

forum for Chairs and NEDs, argued the marginalisation of specialists with strategies around CSR, sustainability and climate change has been an historical problem. Rather than being consigned to 'buckets', she said these various components are relevant and feed into all business functions.

"All Board members need to recognise this is as mainstream as risk management, balance sheet testing, capital projects or strategy," **Julie** said, citing Section 172 of the Companies Act and the onus it places on NEDs. "Not everybody has to be a passionate environmentalist, but they need to have the knowledge that they might have needed for digital or for cyber security, to be able to fulfil their role as a Board director."

From her 20 years of Board experience, **Julie** has seen how challenging it can be for an executive team to bring difficult topics to the boardroom.

"Competition for time in the boardroom is so intense – we're all driven by the quarterly or half-year earnings – and there's a perception that shareholders aren't taking this seriously, although in fact our experience is that investors are really getting hold of this now.

"There's a huge move among the people within the investor community who run the sustainability funds, as well as those who run the mainstream funds, to focus on this and ask the difficult questions. They want to know if your Board has really assessed the climate risk in your business model. Within 12 months it will be mainstream – they are very vocal." >



Karina agreed, referring to BlackRock which, three years ago, told its fund managers it was important to take climate change into account whether or not they believe in it because of pervading public opinion.

“They may not believe it but the client cares, the customer cares – we are at a crossroads and I do think the investment sector is going to change.”

Julie stressed that NEDs should focus on seeing climate change from a commercial perspective and anticipate the new prospects that could be

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unlocked. “This isn’t all about risk; this is about opportunity, innovation and growth through good practice. A strategy for 1.5 degrees may look at risk but it’s all about opportunity,” she said.

Jane Griffiths, Global Head of Actelion Pharmaceuticals and NED with Johnson Matthey, agreed, adding that an activist mindset and passion is required to drive change and generate success that convinces the doubters.

“Build a coalition of the willing within the company which can then start to influence upwards. If you’re an exec and you’ve got that coalition, some good things can happen because you’re not trying to drag someone to do something.

“If you worry about climate change in your personal life, you should worry about it at work. You’re not a different person when you get into the boardroom.” ■



Michael Lewis
CEO, E.ON.UK

COMMUNITY COMMENT

Climate change and air pollution are two of today’s biggest global challenges and ones where individuals and organisations can make a real difference. Our industry needs to make it possible for them to do so, because energy is at the heart of solving both problems. We must change how our homes, businesses, communities and transport systems are powered. Governments can help people and organisations to play their part, but the business community can also take the lead. The built environment sector is responsible for approximately 40 percent of the UK’s carbon emissions each year, meaning there are potentially significant reductions that can be achieved with measures such as embracing smart controls, waste heat recycling, on-site generation and efficient design.

The first step should be to ensure operational efficiency to eliminate waste and unnecessary emissions.

That might involve buying renewable energy as part of your corporate social responsibility strategy. It is increasingly a pre-requisite in tenders and can help earn the trust of new customers whilst maintaining a competitive advantage.

But at a larger scale we are talking about transforming the status quo – changing how people live, work and move. To achieve that, industries and governments need to work together on a comprehensive and integrated approach crossing local, national and international boundaries. Collaboration is needed to address the worst polluting areas or sectors and to send clear signals to the market about the need for innovative products.

A transformational response is required. A move towards more sustainable, healthier and greener energy needs a transition to electrification and an increased focus on energy efficiency.

Featuring Commentary From:



Julie Baddeley
SID
Marshall Group



Jane Griffiths
Global Head
Actelion Pharmaceuticals



Karina Litvack
NED
Eni SpA



Andrew Minton
Managing Director
Criticleye

Contact the contributors through:
www.criticleye.com

Criticleye’s Non-executive Director Retreat 2020 takes place on 15th and 16th October 2020. For more information, please contact [Lucy Marks](#).

