



Step 4

Enhance organizational capability

Develop the workforce of the future

Over the last two decades, organizations have been on a journey to build new digital capabilities. Now, attention turns to building the organizational muscle and capability to deliver on climate aspirations.

Contents

Cover image:

The curved path through snowy bamboo grove
This photo was taken at the bamboo path near Arashiyama, Kyoto. Bamboo trees are covered with snow.

Hong Kong Harbor at night.

Dive deeper into the practical guides for each step to move from ambition to action



The 5-Step Climate-led Transformation Framework



Understand your organization's current state, identify and prioritize the material climate-related issues facing your business, and define and commit to a climate aspiration/target that suits your business.

Step 1 will allow your organization to understand how to set ambitious yet achievable climate targets for your organization.

Read Step 1:
[Commit to a climate aspiration](#)

Assess the strategic impacts of the climate on your organization, the importance of engaging key stakeholders, identifying the best response options and opportunities, and create a detailed climate implementation roadmap.

Step 2 will help to ensure your organization has an integrated strategy to reduce your carbon footprint and climate risks and create value through climate-related opportunities.

Read Step 2:
[Develop a climate strategy](#)

Identify the operating model changes required to realize your climate aspirations and execute your climate strategy.

Step 3 will support your organization to reflect on its current state, design the future state operating model and determine the steps needed to achieve success.

Read Step 3:
[Align the operating model](#)

Identify capability gaps and barriers in your organization, understand your capability requirements, and implement initiatives, tools and metrics to increase your capabilities to deliver your climate strategy.

Step 4 will empower your organization to help achieve your climate goals through targeted and effective capability development.

Read Step 4:
[Enhance organizational capability](#)

Identify what your organization needs to monitor and report and the capabilities and operational changes required.

Step 5 will help enable your organization to disclose according to stakeholder needs, ensure your management has the information needed to adjust strategy over time, identify savings and costs and be accountable for performance.

Read Step 5:
[Regularly monitor and report](#)

Step 4

Enhance organizational capability

The Climate-led Transformation Framework can help your organization begin, progress or advance its journey to implement its climate strategy, orchestrating change to positively impact business outcomes.

The application of this framework is not necessarily linear or singular. Step 4 'Enhance organizational capability' refers to the various considerations needed to enhance your organization's capabilities to enable the delivery of your climate targets.

Regardless of whether your organization is taking a fresh look at your existing efforts or enhancing capabilities to deliver your climate targets for the first time, this [five-step climate-led transformation framework](#) can help your organization reduce climate risks, realize opportunities and orchestrate positive change in the broader business ecosystem.

Step 4 refers to the capabilities needed to execute your climate strategy, working in tandem with your future state operating model configuration.

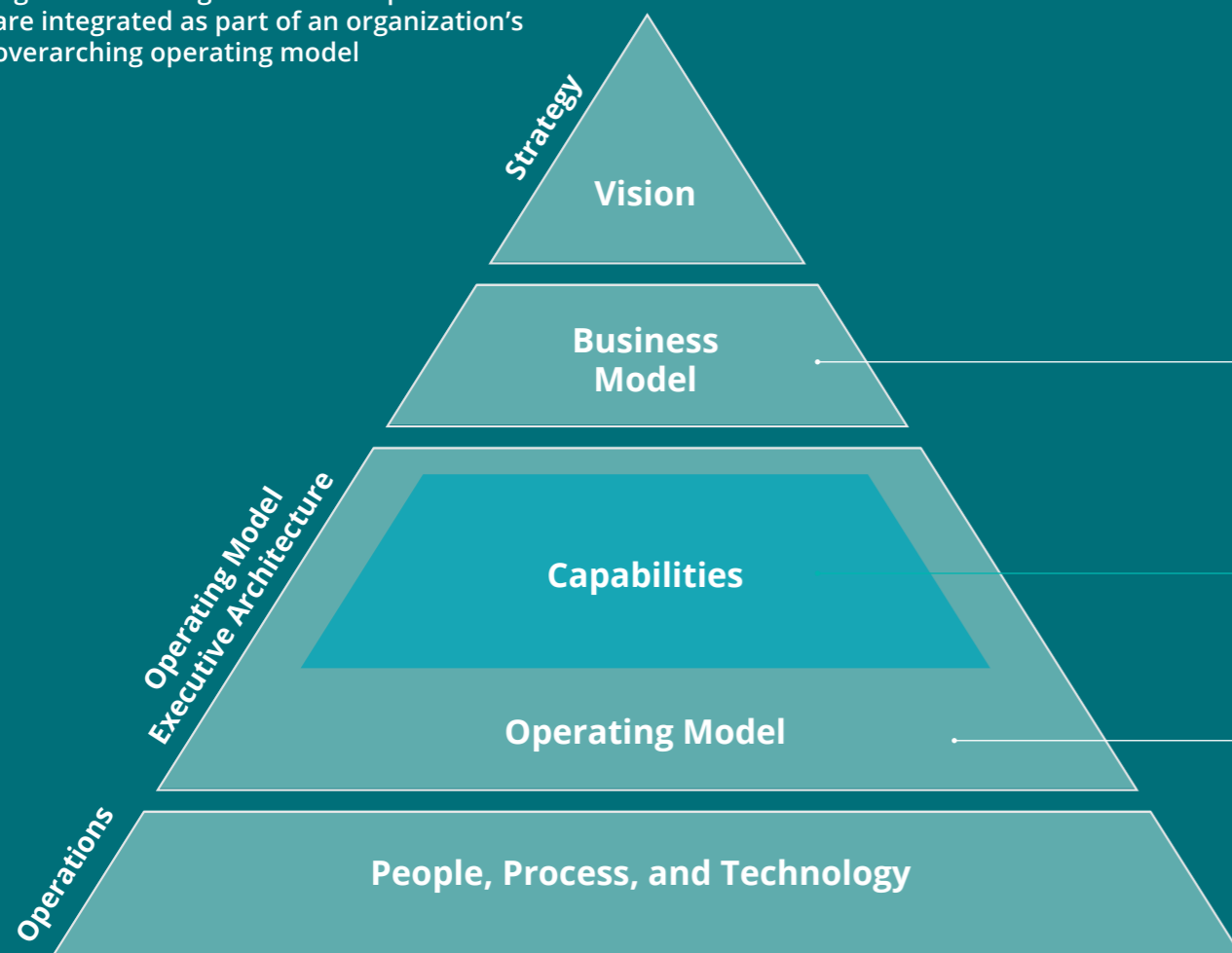
Organizational capabilities describe the ability of an organization to perform the tasks needed to help achieve strategic and business objectives.

They are the intangible resources that underpin each activity and each organization outcome—the building blocks of your organization. Thus, to help deliver on your climate targets, your organization’s leadership must align on which capabilities must be prioritized, invested in and developed across the value chain.

Organizational capabilities can be described as five interrelated elements that are part of an organization’s operating model (see Figure 1): Governance, People and organization, Process, Technology and infrastructure, and Data and information.

A successful climate-led transformation requires an operating model to enable the application of your organization’s climate aspirations and strategy. The operating model is a high-level representation of how your organization can be best organized to deliver and execute your climate strategy more efficiently and effectively. For more information on how to create a sustainable future state operating model, see [Step 3](#).

Figure 1: How organizational capabilities are integrated as part of an organization’s overarching operating model








Product of an organization’s strategic choices on how it will create, deliver and capture value in the competitive marketplace
 Examples:
 • Who are your customers
 • What offerings you bring to market
 • How you use assets and resources to deliver value

Demonstrated, consistent capacity to perform against a desired objective through Governance, and Data and information, as well as a mix of People and organization, Process, and Technology and infrastructure
 Examples:
 • Risk capabilities (e.g., climate-related risk management)
 • Supply chain capabilities (e.g., sustainable supply chain operations)






Configuration of capabilities into internal design to do the work necessary to realize the value targeted in the Business Model
 Examples:
 • Company X organizes into five product-focused departments with shared and dedicated sales to support small and large enterprise customers

The critical organizational capabilities may vary by sector depending on your organization's business model, climate aspiration and strategy.

SECTOR	EXAMPLES OF ORGANIZATIONAL CAPABILITIES
 All sectors	<ul style="list-style-type: none"> Organization-wide collaboration for the integration of sustainability and climate-related risk and opportunity considerations into core strategies and operations Climate-related risks (physical and transition risk) management
 Financial services	<ul style="list-style-type: none"> Transparent and robust non-financial reporting, including the impacts of Environmental, Social and Governance (ESG)-related investments ESG-related investments management Horizon scanning and regulatory surveillance on sustainability and climate-related regulation and standards (mandatory and voluntary)
 Energy, resources and industrials	<ul style="list-style-type: none"> Environmental stewardship Energy portfolio diversification (a shift to renewables) Transparent and robust non-financial reporting, including sustainable practices and operations across the value chain
 Consumer	<ul style="list-style-type: none"> Circular design Sustainable supply chain operations, including logistics and transportation of goods management Building and enabling value chain responsibility
 Public sector	<ul style="list-style-type: none"> Long-term decarbonization planning Setting and monitoring the adoption of sustainability and climate-related policy and regulation Sustainability and climate-focused partnerships and sector alliances

Each element of organizational capability on its own does not constitute a capability, it is just one piece of a puzzle. Your organization's ability to deliver your climate targets requires all five elements to come together as an integrated whole.

Figure 2: Demonstrating the five elements of organizational capability

FIVE ELEMENTS OF ORGANIZATIONAL CAPABILITY	EXAMPLE: BUILDING AND ENABLING VALUE CHAIN RESPONSIBILITY
 Governance Clear roles, decision rights and policies that facilitate integration within and across other capabilities, functions and partnerships	Governance structures and definition of roles and responsibilities across the organization (internal) and with value chain partners (external) to help build and enable value chain responsibility, helping to manage the reduction of Scope 3 emissions across the value chain.
 People and organization The competencies, skills, talent infrastructure and workforce planning that enable an optimal talent base	A workforce or collaborations with value chain partners (e.g., suppliers) skilled in areas such as sustainable procurement, circular design, sustainable manufacturing and operations, and where necessary, offering relevant workforce programs to train and upskill.
 Process An integrated and efficient set of processes and activities designed to achieve a desired outcome	Scope 3, supplier emissions insights embedded within procurement decision-making and the ability to set, monitor and manage targets and performance (aligned to your climate targets and strategy)
 Technology and infrastructure The technologies (software and hardware) and tools needed to enable the capability	Technologies to collect and monitor GHG emissions from each stage of the value chain, mechanisms to track product origins (from the extraction of raw materials) to ensure compliance with responsible sourcing standards, and detect and avoid suppliers whose practices and operations are non-compliant with the required standards.
 Data and information The decision flow, information and analytics that drive more informed and timely decision making	Managed database to monitor and track compliances against required standards (e.g., responsible sourcing standards) and GHG emissions information and analytics at each stage of the value chain to enable performance tracking and decision-making on where it needs to be managed.

So, what actions can you take to ensure your organization's workforce is equipped with the necessary climate capabilities?

The process outlined in this publication shows the key actions that your organization's leadership can take to enhance climate capabilities, including the steps to:

1 Identify the organizational capabilities needed to deliver on your climate aspirations

Translate your organization's climate strategy into climate capability needs, compile your climate capabilities into functional blueprints as part of your future state operating model, and categorize the climate capabilities as compliant, enhanced or transformed to help prioritize future investment.

1

2 Assess current state capabilities

Gather qualitative and quantitative data across the five elements of organizational capability (Governance, People and organization, Process, Technology and infrastructure, and Data and information) to gain a holistic understanding of climate capability gaps and opportunities to inform climate capability uplift initiatives.

2

3 Build the capabilities your organization needs today and in the future

Take an integrated approach to identify how your organization will build or source the necessary climate capabilities and define the specific initiatives that will help enhance climate capabilities.

3



Identify the organizational capabilities needed to deliver on your climate aspirations

The climate strategy (Step 2), implementation roadmap and future state operating model set out the requirements to achieve your organization's climate aspirations (Step 1). The next step is to identify the capabilities needed to deliver on your climate targets.

The framework outlined in this section will help your organization:

- **Identify holistic capability requirements:** Define the capabilities needed to achieve your climate targets. This includes understanding your climate strategy and future state operating model, and how this translates into capabilities.
- **Compile capabilities into functional blueprints:** As outlined in Step 3 'Align the operating model', this includes clarifying the key future state capabilities required within each function.
- **Categorize capabilities:** Identify whether capabilities should be compliant, enhanced or transformed. This categorization will help guide your future capability uplift initiatives.

Identify holistic capability requirements

The foundational step is determining the holistic capability requirements—both new and existing—to meet your climate targets and future state operating model requirements.

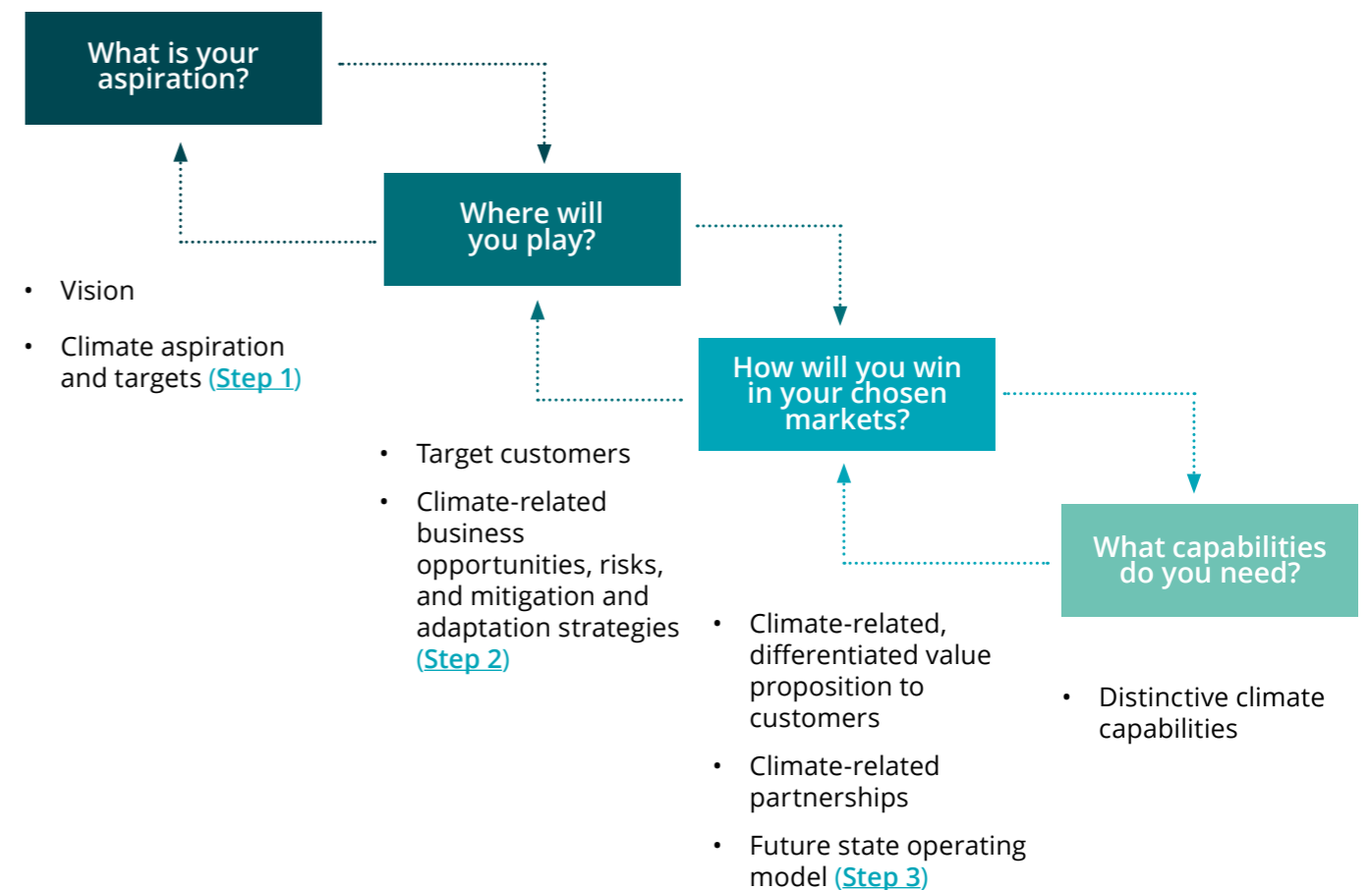
Climate-related capabilities are deeply grounded in the context in which your organization operates. They are continuously being shaped by industry trends and your organization's macroeconomic environment, climate strategy and future state operating model.

A cascade of interrelated choices enables your leadership to translate business and climate strategies into capability requirements.

The key questions to explore include:

- What are the key sources of climate-related competitive advantage or differentiation in the industry?
- What are the unique climate capabilities required within the industry?
- What are the main shifts related to climate change that are impacting the industry and how does this impact the capabilities required?
- What climate capabilities are unique to your organization?
- What capabilities may be required to decarbonize or adapt to climate change?

Figure 3: Strategy cascade of interrelated choices



Compile capabilities as part of your functional blueprints

Developed as part of your future state operating model.

When brought together, the collective set of capabilities needed to deliver on your climate targets make up the DNA of your operating model and should be captured in the functional blueprints that you defined in [Step 3](#).

Functional blueprints provide the base on which your future state operating model is built, with the capabilities acting as the building blocks for your organization. These can then be used to determine the climate-related skills needed, inform the team build, guide the hiring of talent, and define the key performance indicators (KPIs).

Categorize capabilities

Once your leadership has defined the organization's climate capability requirements and captured these in a functional blueprint, the next step is categorizing these climate capabilities as compliant, enhanced or transformed.

- **Compliant:** Capabilities that can enable your organization to meet the required sustainability and climate-related regulations and standards to operate in the industry. Expectations of your organization's foundational climate capabilities may change over time depending on the shifts in your key stakeholders' expectations. For example, regulators mandating the need to set science-based targets.
- **Enhanced:** Capabilities that can help your organization to maintain competitive parity with your peers and thus retain customers. For example, using climate-related data and metrics to support decision-making in alignment with your climate targets.
- **Transformed:** Capabilities that can help create a competitive advantage over peers and drive product differentiation and new growth to help your organization achieve business goals. For example, innovating new manufacturing systems or technologies to monitor sustainable supply chain operations, to deliver low-carbon products to customers.

Categorization and mapping of capabilities to different departments across your organization will vary according to your organization's needs.

For example, if your organization is in the financial services sector, you might categorize regulatory horizon scanning and sustainability and climate-related data analytics capabilities as 'Transformed' as these are critical to helping you curate a portfolio of sustainable financial products that deliver premium value to your customers while responding to the increasing regulatory scrutiny over the risk of greenwashing. Whereas, if your organization is in the public sector, you might categorize sustainability and climate-focused partnerships and sector alliances as 'Transformed' to facilitate long-term, productive partnerships across business, industry and government on complex climate-related issues.

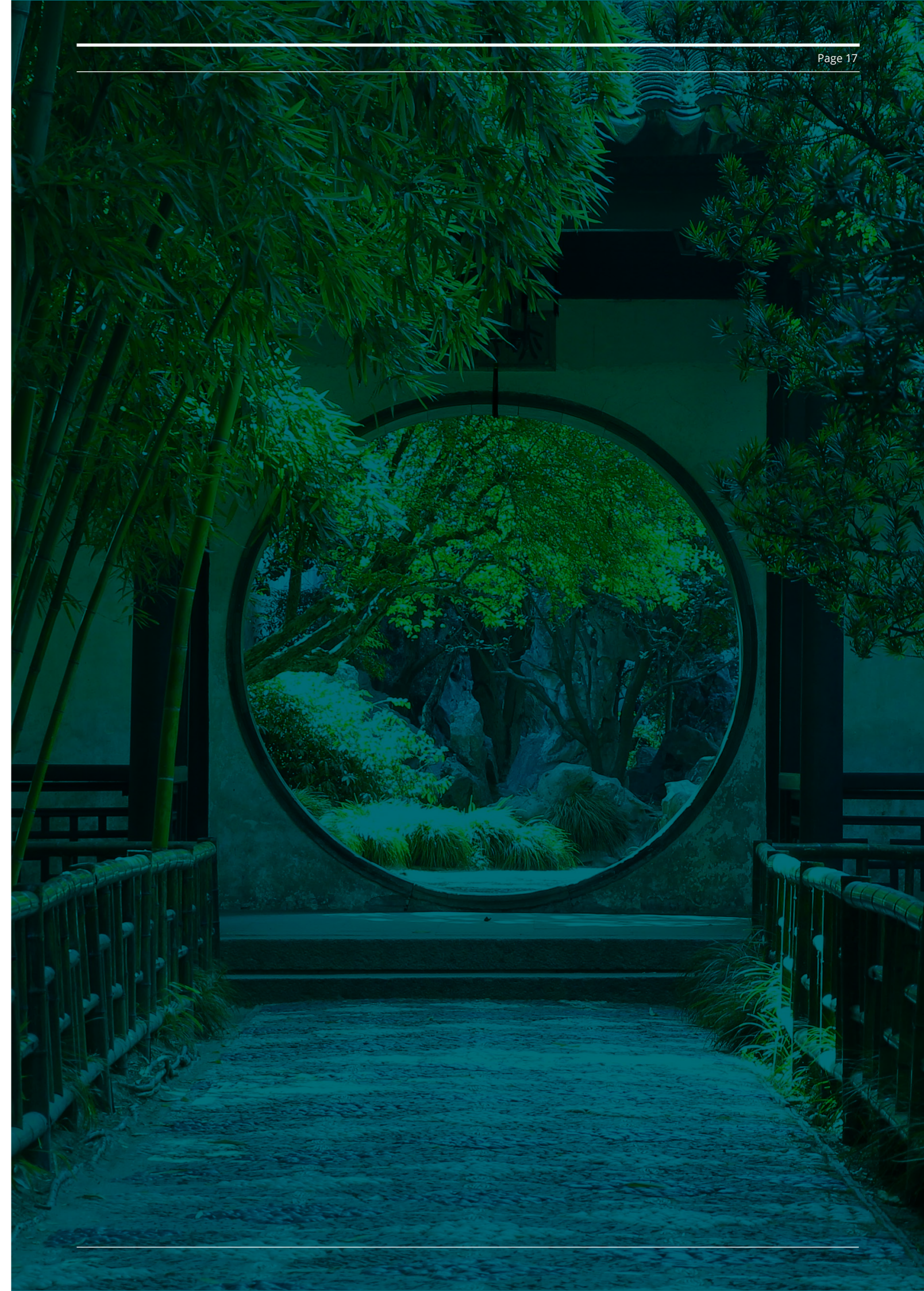
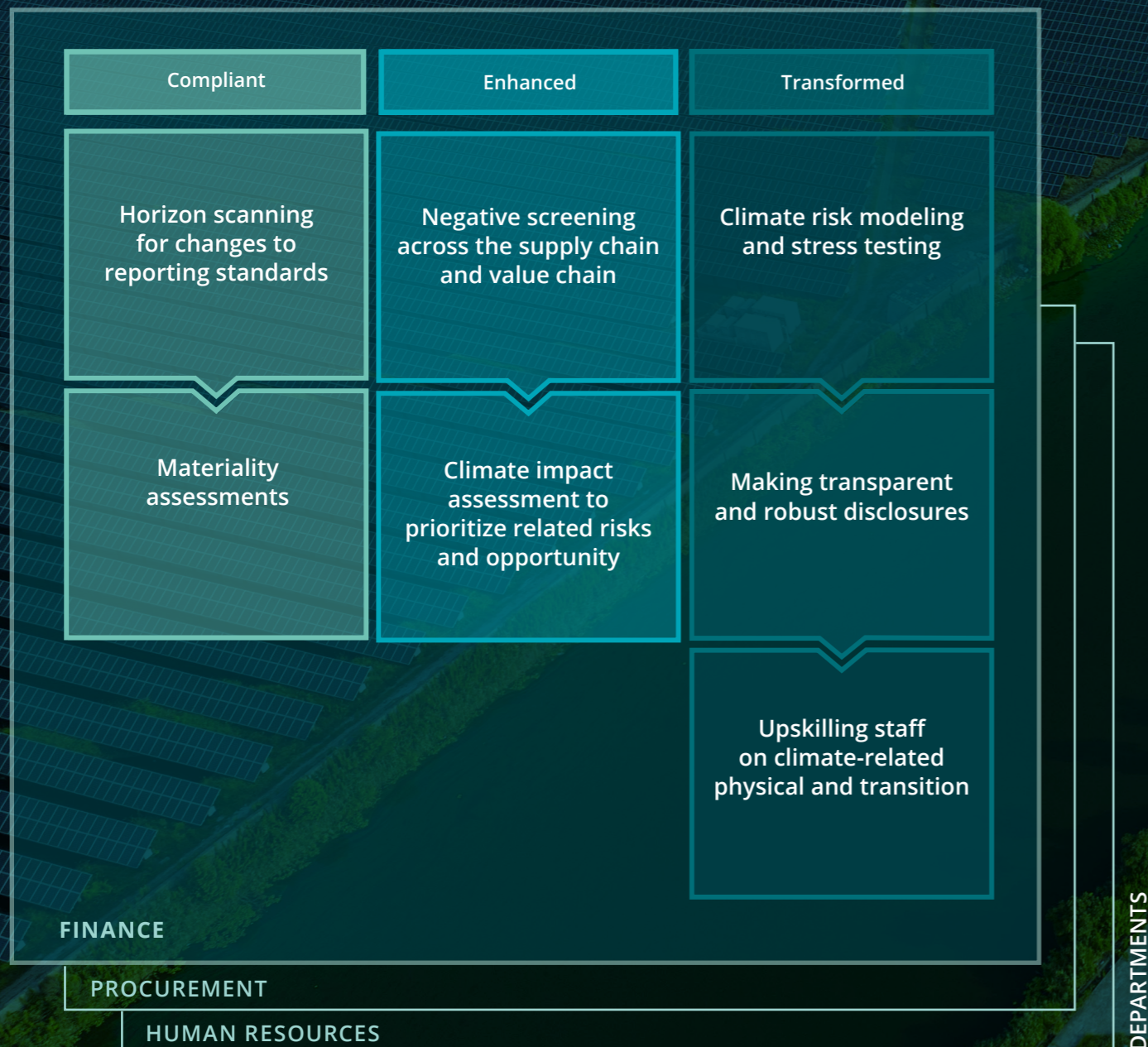


Figure 3: Example of how climate capabilities can be categorized and mapped as part of a functional blueprint



Case study



Identifying and uplifting executive climate risk capability

Under the Climate Change Policy Framework for the state, the State Government Agency is committed to implementing actions to address climate change including assessing and effectively managing climate-related risks to government assets and services. In this endeavor, it recognized that some government entities experienced barriers when implementing new policies, including dispersed governance due to impacts occurring across spatial and temporal scales, a lack of understanding of specific obligations or how to integrate climate change considerations into existing operational and decision-making frameworks and processes and the scale of the response needed to manage risks. To help overcome some of these challenges, the State Government Agency developed an education and capability building program, the Climate Risk Leadership Series, specifically for executives and decision-makers in Government. The Climate Risk Leadership Series seeks to improve climate risk management practices across government entities and build a strong and proactive climate risk management culture within the State Government Agency. It does this by building relevant knowledge and capacity in the executive cohort across its government clusters relating to:

- Government accountabilities for managing climate-related risks.
- Potential benefits associated with climate action including in terms of financial benefits and government outcomes.
- Organizational change elements of managing climate-related risk that executives have a responsibility to oversee and drive.
- Drivers for addressing climate-related risks to government assets, services, and objectives (including financial risks and opportunities).
- Introducing participants to key global and national frameworks that are driving expectations, as well as state-level policies.
- Sharing examples of leading practice implementation and clear guidance to support action-taking.
- Provide a forum for peer-to-peer learning.

The State Government Agency committed to “understand the decision-maker”. Co-designing a course to improve capability in a new area requires that the information and actions being asked of the participant are suited to how much they already know, the decisions they are capable of making, and the influence they have in their organization. For an executive, for example, it is not useful to provide a step-by-step climate risk management process as they will be asking their senior staff to implement the plan. Instead, they should be provided with high-level principles which guide good decision-making and an overview of the leadership qualities that their staff may need to implement a new process. Understanding the decision-maker is an iterative process throughout designing a course and should be revisited often.

Assess current state capabilities

Once your leadership has a clear understanding of the capabilities required to deliver your climate strategy and future state operating model and has documented these in functional blueprints, the next step is to conduct a current state capability assessment and identify the extent to which there are gaps between the climate capabilities within the organization today and those that might be required going forward.

As identified in [Step 3 'Align the operating model'](#), a current state capability assessment involves gathering current state data and identifying pain points and gaps against the future state. This should be completed across each of the five elements of organizational capability to help achieve an in-depth understanding of where your organization should target future climate capability uplift initiatives (see Figure 5).






Case study



Assessing current state capabilities

In addition to supporting executives to build knowledge, capacity and a strong climate risk management culture within the State Government Agency, the Climate Risk Leadership Series also incorporated an assessment of current state capabilities for climate risk management for all government clusters. Incorporating the current state assessment as part of the Leadership Series, allows leaders to develop a clear understanding of the capabilities needed to manage climate-related risk for their clusters, to immediately apply knowledge and learning gained as part of the Leadership Series and to take advantage of the executive peer-to-peer network to support collaboration on climate risk management across sectors.

Figure 5: Examples of the capability focus areas and potential ways to conduct an assessment

FIVE ELEMENTS OF ORGANIZATIONAL CAPABILITY	FOCUS AREA	WAYS TO CONDUCT AN ASSESSMENT	EXAMPLES
 Governance¹	Climate accountability	Review relevant policies, procedures and standards, as well as KPIs and incentives to help ensure effective oversight and accountability.	Assessing climate risk management accountability by reviewing key controls and ensuring effective Board oversight of climate-related risks.
	Strategic integration	Conduct leadership interviews to understand the application of the climate capability across the value chain, including integration with strategic and delivery processes.	Assessing how climate-related risk modeling and stress testing across the value chain helps inform and is shaped by the climate strategy.
	Roles and responsibilities	Review organization charts and role descriptions to understand where there may be a need to define roles and responsibilities (e.g., of senior management) to help deliver climate capabilities.	Identifying whether key management and technical roles involved in assessing and managing climate-related risks, opportunities and impacts are appropriate.
 People and organization	Climate leadership Green skills	Assess individual climate capability to identify gaps in current climate leadership or green skills against future needs. This includes technical (e.g., business model resilience) and professional (e.g., leading through ambiguity) skills.	Training and staffing people into specialist climate-related roles (e.g., Sustainability and Climate Reporting Analyst) and non-climate-related roles requiring green skills (e.g., Supply Chain Specialist) and assessing the different climate leadership and green skills required.
	Talent management	Review current talent practices (e.g., recruitment, performance, development) and identify gaps that inhibit sourcing, management and development of green skills.	Reviewing the effectiveness of the training and development programs rolled out for the Procurement Department to develop sustainable supply chain skills (e.g., ethical sourcing, Scope 3 emissions, lifecycle assessments, etc.).
 Process	Process design	Map current state and future state processes needed to deliver climate capabilities, and identify the gaps and changes required.	Assessing the process gaps when implementing a new circular design capability (e.g., identifying circular opportunities, choosing smart materials, etc.).
	Process performance	Analyze business processes to identify hotspots in performance (e.g., time, cost, quality) and efficiency (e.g., automation, standardization) that could undermine the delivery of climate capabilities.	Monitoring the efficiency of systems used to identify, assess, and procure materials, and addressing inefficiencies.
 Technology and infrastructure	Infrastructure	Review the technology infrastructure, including hardware, software and network systems against the climate capability needs.	Identifying gaps in the technology and systems used to help monitor, manage and prepare for transparent and robust disclosures (e.g., enterprise-wide data systems to support the collection, validation and analysis of sustainability and climate-related quantitative and qualitative data).
	Innovation	Interview leadership and technology specialists to understand the barriers and gaps in the required technologies and innovation to support the delivery of climate capabilities.	Interviewing specialists to understand the barriers to embedding a culture of experimentation and innovation across the organization.
 Data and information	Quality	Identify the climate capability data requirements and map them against current data (focusing on data quality).	Assessing the availability of accurate, complete, and quality data necessary to monitor emissions (usage and reduction).
	Analysis	Identify insights and conduct analysis to help determine the future state climate capabilities required, against the current state.	Identifying the customized reporting and data analytics requirements and gaps in disclosures against mandatory (and voluntary) regulations and standards.

Build the capabilities your organization needs today and in the future

Proactively investing in enhancing capabilities will be critical to ensuring your organization is prepared and resilient to climate-related risks and positioned to capture the opportunities decarbonization pathways present. The final step is creating a strategy and implementation roadmap to enhance the climate capabilities that you need today and in the future.

Key activities to help enhance climate capabilities across the organization include:

- **Define the capability uplift philosophy:** The philosophy and approach to building organizational capability are many and varied. Based on the capability type and your organization's unique context, identify whether your organization should develop climate capabilities internally, acquire them externally or outsource them altogether.
- **Develop high-impact capability uplift initiatives and an implementation roadmap:** Clarify the detailed initiatives that may be required to holistically uplift each climate capability, identifying what needs to be done across the five elements of organizational capability: Governance, People and organization, Process, Technology and infrastructure, and Data and information.
- **Continuous capability uplift:** Climate capability needs are likely to continuously change in response to external factors and shifts in your climate strategy, requiring continuous monitoring and iteration of your capability uplift strategy.



Determine the capability uplift philosophy

Based on the capability gaps identified in your current state capability assessment and your climate targets, your organization can proceed to identify your capability uplift philosophy and approach.

There are various levers that your organization can use to help enhance your climate capabilities, these include the option to:

- develop, transform or mature climate capabilities internally, or
- acquire or outsource climate capabilities externally from the market.

Your leadership's approach and philosophy to uplifting climate capability may vary by the capability categories and your organization's business and climate positioning. For example:

- **Compliant climate capabilities:** To be secured rapidly to enable your organization to meet the minimum climate-related regulations and standards.

This could be accomplished by outsourcing climate capabilities externally to enable your organization to place greater focus on the enhanced and transformed climate capabilities. Another option would be to acquire the climate capabilities to help rapidly build foundational levels of climate capabilities required.

- **Enhanced climate capabilities:** To be built using a balanced approach depending on your organization's needs.

For example, where there is existing enhanced capability within your organization, your leaders may focus on maturing this capability by investing internally in employee skill development and implementing new processes and ways of working. Whereas, if there is a large gap between the current and desired future state of climate capabilities, it may be more apt to direct investment to acquire the climate capability externally, such as through the use of new technology or sourcing specialists.

- **Transformed climate capabilities:** To be developed by investing in building and maturing capabilities internally to help drive competitive advantage.

This is especially relevant if your organization is or aims to be a pioneer in the climate agenda and may not be able to obtain these capabilities externally. Alternatively, your organization may acquire leading-edge climate capabilities externally where they do not exist internally or if these are climate capabilities in areas in which you are anticipating rapid growth.

The best choice to enhance capability varies by industry and organization. For instance, a financial services organization may decide to own internally the process of making quality and transparent disclosures because it gives a competitive advantage, even though this may require higher fixed costs and regular investment in talent and technology upgrades. On the other hand, another organization may choose to outsource the same capability since it is not critical to the core business model, but required for compliance, without having to commit to internal overhead costs and upkeep.

Case study



Applying outside knowledge to enhance inside workforce capability

For the State Government Agency, which has an expansive and wide-reaching portfolio, it was important that its leadership learning series included best practices and examples from industry leaders and subject matter experts. It can be difficult to develop new capabilities within the organization organically. As such, the State Government Agency sought to leverage the expertise of specialists within relevant fields and industries to provide a point of reference and allow team members to better conceptualize and arrive at new concepts while recognizing their criticality and application to their work.

Develop high-impact capability uplift initiatives and an implementation roadmap

As articulated in Step 3 'Align the operating model', climate capability uplift initiatives should be defined and articulated in a clear implementation roadmap with project management and phased processes to help ensure successful execution.

Based on your organization's overarching capability uplift philosophy, identify and prioritize high-impact initiatives required to achieve future state climate capability requirements, taking into consideration external best practices and trends, as well as your organization's unique context.

Initiatives should take a holistic approach to capability uplift, addressing all five elements of organizational capability. Figure 6 shows some examples of initiatives your organization could consider to help uplift climate capability, to support transparent and robust non-financial reporting:

Figure 6: Examples of initiatives to support transparent and robust reporting

Five elements of organizational capability	Examples
Governance	<ul style="list-style-type: none"> Implement new collaborative ways of working and cross-functional governance to help drive efficient and effective sustainability and climate-related data capture, management and decision-making. Create new roles and responsibilities to enable the proactive identification of a broad range of risks and opportunities across the sustainability and climate agenda.
People and organization	<ul style="list-style-type: none"> Upskill senior executives and directors to be able to monitor, manage and prioritize material climate-related risks and opportunities. Create a development program to uplift the risk management team's capability in identifying, analyzing, quantifying and reporting climate-related risks.
Process	<ul style="list-style-type: none"> Standardize the end-to-end reporting and disclosure process to optimize efficiency, eliminate duplication, and develop standard operating procedures and formalize it with the proper process documentation.
Technology and infrastructure	<ul style="list-style-type: none"> Invest in technology to support the validation, screening and analysis of data, aligned to your organization's climate technology roadmap.
Data and information	<ul style="list-style-type: none"> Implement a data uplift program to enhance your organization's ability to accurately source and integrate new sustainability and climate-related data to be able to make robust and accurate disclosures. Create standardized reporting tools and dashboards to support quality reporting and disclosure, and train relevant stakeholders on how to integrate sustainability and climate-related data into decision-making.

Once you have identified the holistic set of initiatives required to enhance organizational capability, compile them into your operating model implementation roadmap, describing each initiative and activity, as well as risks and dependencies, and resources required to deliver these. These will then be used to establish the timeline indicating when each activity will need to be completed.

During this phase, it is also important to define measures and KPIs to track success and identify whether the changes made will meet your organization's climate targets. See [Step 3](#) for further guidance on the implementation roadmap and metrics required.

Continuously monitor capability uplift

While climate action requires speed, the building of organizational capability is incremental and usually happens over time.

This calls for strong, continued investment, concerted effort and leadership endorsement over the long term to achieve success.

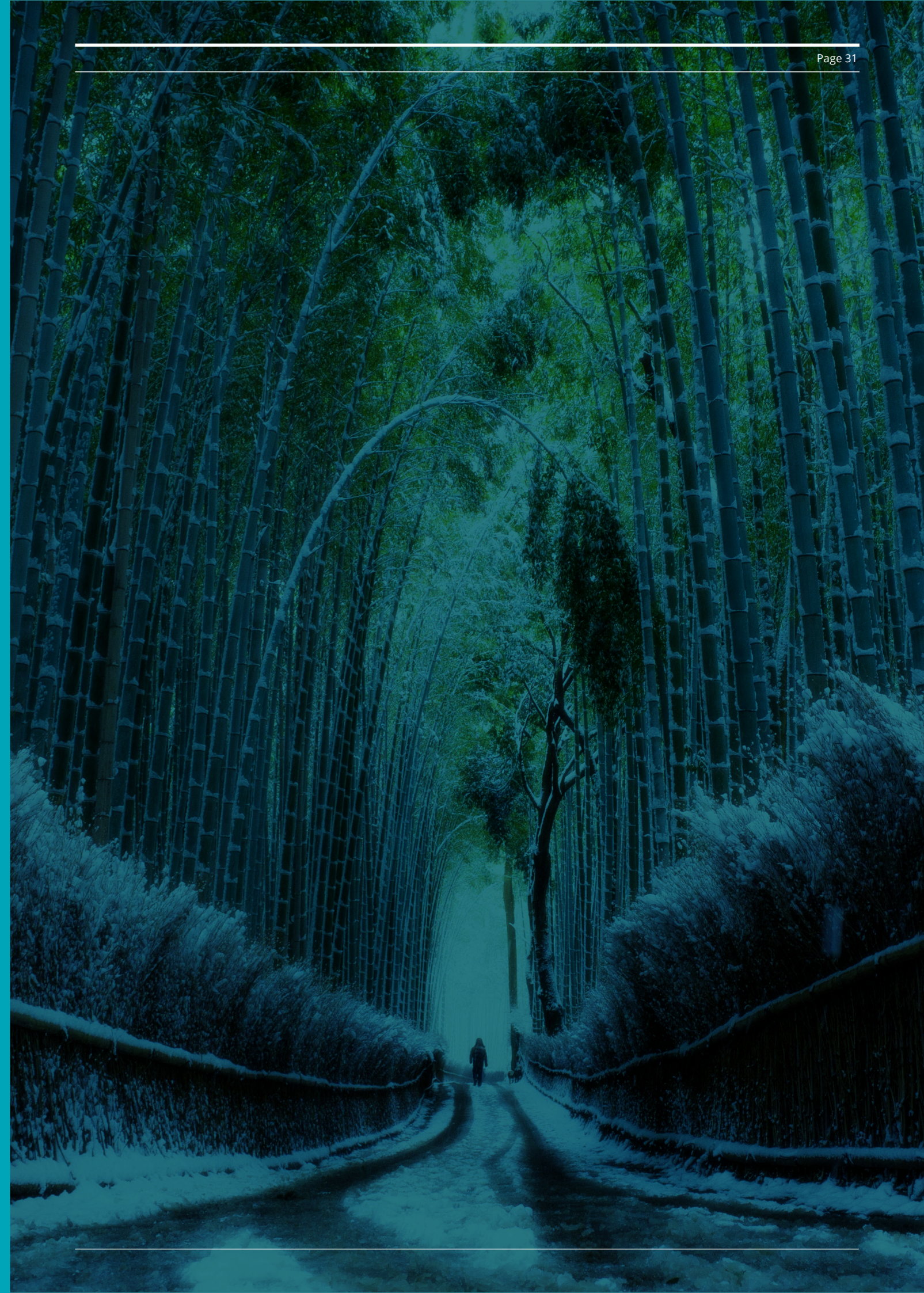
To ensure that your organization is drawing value from the capability uplift, regular reviews of the climate capability requirements against the climate targets and strategy need to be conducted to ensure planned capability uplift initiatives continue to be aligned with the overall climate-led transformation journey.

Step 4

Summary

Capabilities are foundational to successfully executing your organization's climate-led transformation journey—they are the building blocks of your climate strategy (Step 2) and operating model (Step 3).

With your climate targets set, climate strategy and implementation roadmap developed, and future state operating model in place, you must ensure that your organization has the capabilities necessary to execute. By going through the process in this publication, you can begin to create the pathways to help your organization capitalize on the opportunities of the low-carbon future in a way that builds organizational capability, performance and purpose for your organization.



Step 4 in action

State Government Agency case study

Case study



State Government Agency

Under the Climate Change Policy Framework for the state, the State Government Agency is committed to implementing actions to address climate change including assessing and effectively managing climate-related risks to government assets and services. These risks and opportunities are diverse and span physical, transition and liability-related risks.

For the State Government Agency to effectively deliver on its mandate to ensure it leads the way on climate change and seizes opportunities where they arise, it was necessary for its executive leadership to feel well-equipped to manage their accountabilities. This was with regards to climate-related risks and the landscape of key global and national frameworks driving expectations as well as state-level policies. It was essential to understand the potential benefits associated with climate action as well as the drivers and levers for addressing climate-related risks to government assets, services and objectives so they can drive organizational change to create a strong climate risk management culture.

To build this capability, the State Government Agency, together with Deloitte, developed an education and capability building program, the Climate Risk Leadership Series, specifically for executives and decision-makers in Government. The Climate Risk Leadership Series seeks to improve climate risk management practices across government entities and build a strong and proactive climate risk management culture within the State Government Agency.

Step 4

State Government Agency's actions and commitment

Identify capability gaps and anticipate barriers to change

The State Government Agency committed to “understand the decision-maker”. Co-designing a course to improve capability in a new area requires that the information and actions being asked of the participant are suited to how much they already know, the decisions they are capable of making, and the influence they have in their organization. For an executive, for example, it’s not useful to provide a step-by-step climate risk management process as they will be asking their senior staff to implement the plan. Instead, they should be provided with high-level principles which guide good decision-making and an overview of the leadership qualities that their staff may need to implement a new process. Understanding the decision-maker is an iterative process throughout designing a course and should be revisited often.

Develop a capability enhancement strategy

Design based on best practice: Find relevant examples from reputable sources/providers of courses that share similar objectives, subject matter, or participants to ensure that the course is the next iteration of best practice (or developing a best practice approach). The base subject matter of key policy and industry information and guidance is to ensure that the material is relevant and up to date.

Gather the right expertise (if available): Organizational development often requires the guidance of specialists in teaching and learning, combined with subject matter expertise, to ensure that the content, the learning experience and the follow-up activities combine so learners have the right information in the right format for success in implementation.

Implement and measure capability enhancement initiatives

Evaluate and iterate for improvement: The organizational objectives and individual learning objectives should be set out and measured to ensure that future iterations of the course can respond to learner needs and subject matter evolution.

Key terms

List of the key terms used in this publication and their definitions.

Key terms	Definition
Science-based targets	Targets that are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.
ESG approach	An ESG approach is applied to business activities and decisions to consider the wider, non-financial impacts of an organization's actions on its shareholders. This approach is often used to encompass social welfare, climate-conscious, and community-focused metrics in decision-making processes.
GHG emissions categories	<p>Scope 1: Direct organization-owned or controlled emissions occurring at the source.</p> <p>Scope 2: Emissions associated with the production of energy consumed by your organization.</p> <p>Scope 3: Indirect emissions associated with your organization's activities from sources not owned or controlled by your organization.</p>
Carbon footprint	A carbon footprint, otherwise known as a carbon inventory, is the emissions attributable to that organization. This may include the organization's Scope 1, 2 and 3 emissions for a given year.
Physical risk	Physical risk refers to the resulting effect of climate change on organizations, including assets, services and people. This includes acute risks which are driven by events such as severe storms, hurricanes, or floods and chronic risks which emerge from longer-term shifts in climate patterns such as sustained higher temperatures causing chronic heat waves or sea level rise.
Transition risk	Transition risk accounts for all the risks associated with the transition to a low carbon economy. This includes, but is not limited to changing policy and legislation, disruptive technologies, market shifts, and reputational damage. An example of a transition risk that is fast emerging is carbon tax.
Environmental stewardship	Environmental stewardship is the responsible use and protection of the natural environment through conservation and sustainable practices to enhance ecosystem resilience and human well-being.
Circular design	Circular design is the practice of creating durable, reusable, repairable and recyclable products that generate zero waste to support a circular economy.

Endnotes

- 1 Deloitte New Zealand. [Director's Guide to Climate Governance](#). (November, 2022).
- 2 Chapin, F.S., et al. ["Ecosystem Stewardship: Sustainability Strategies for a Rapidly Changing Planet"](#). *Digital access to scholarship at Harvard, 2010.*

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