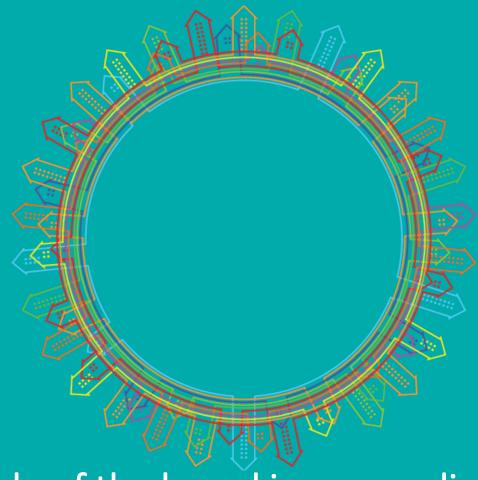
# **Deloitte.**



Deloitte Boardroom Programme Board Agenda Series 3

Navigating the Sustainability Agenda





Understanding the role of the board in responding to climate change

Glenn Gillard | Sustainability Market Lead | Partner



# Reflections: a year focusing on readiness for sustainability reporting

- O1 It has been a year of ESG capacity building for organizations.
- Organizations are investing in sustainability reporting as they recognize internal and external benefits in doing so.
- Despite the significant progress being made, many report being challenged by poor data quality, and few companies are currently preparing and disclosing Scope 3 GHG emissions.

From a strategic focus on capacity building to navigating the challenges of poor quality ESG data, our **2024 report** provides details around surveyed companies' current ESG mindset and some of the internal and external benefits they're seeing come to light by implementing leading practices sooner.



#### **Recommendations to Boards on Climate Action**

Move beyond a compliance mentality and embed sustainability

Enable effective capital allocation

Make sure curiosity trumps mastery

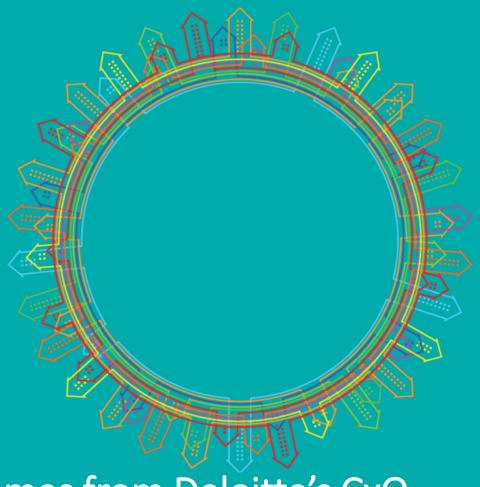
Identify tomorrow's requirements today

Be the agent of change in shaping strategy suitable to deal with constant uncertainty

Consider the smallest outliers who may have the biggest influence

Bring a systems thinking lens

Source: Chair of the future: The role of the Chair in the climate transition I Deloitte



Key sustainability themes from Deloitte's CxO Sustainability Report

Marc Aboud | Sustainability Risk & Regulation Lead | Director

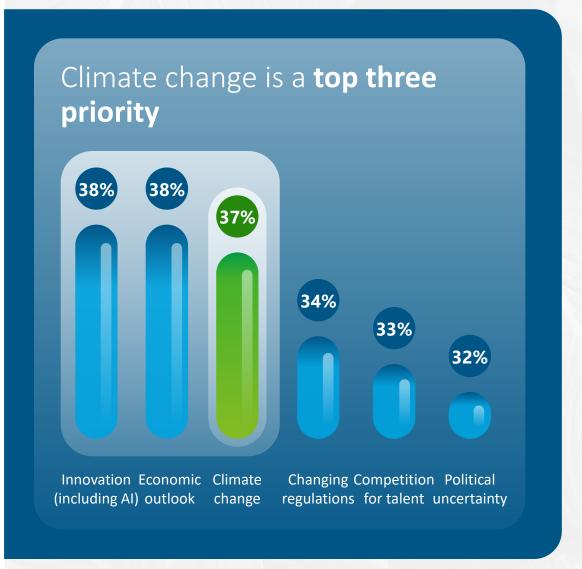
Report summary

The 3rd edition of Deloitte's CxO Sustainability Report surveyed 2,100+ executives across 27 countries and all industries, supplemented by 8 CxO interviews, on their views and strategies related to sustainability and climate change.

We are at the start of a new chapter. One where sustainability goes beyond just compliance, risk management, and stakeholder interests. Instead, where executives are realizing the profound business opportunity in the transition to a lowemissions future.

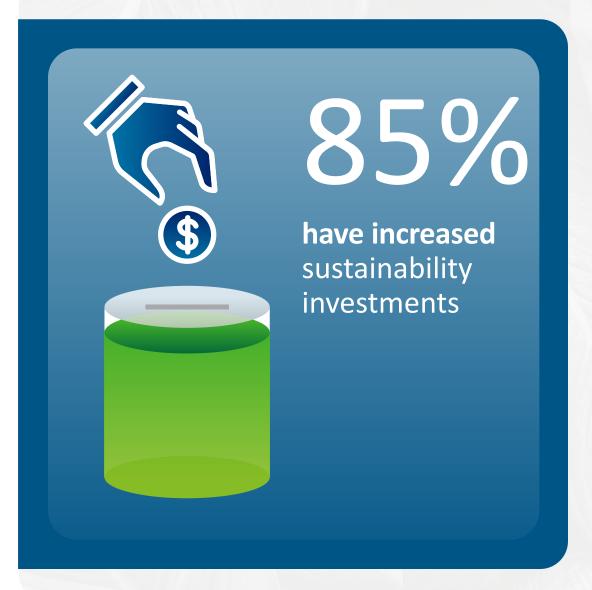
- Sustainability action is growing, with increased investment.
- 2 Shifting to a low-emissions economy presents business potential, driving new products, business models, and value creation.
- Climate action spurs innovation and technology investment, enabling solutions with environmental and business benefits.
- 4 Uneven landscape of climate action poses risks; a "go-slow" approach can lead to competitive disadvantage.
- The "moderate middle" companies have an opportunity to drive broader action, potentially tipping the balance for rapid change.

## Deloitte 2024 CxO Sustainability Report Key survey findings



Contrary to some headlines, our survey indicates there is no retreat from sustainability action by businesses.

Key survey findings



Sustainability action is growing, with increased investment.

Key survey findings



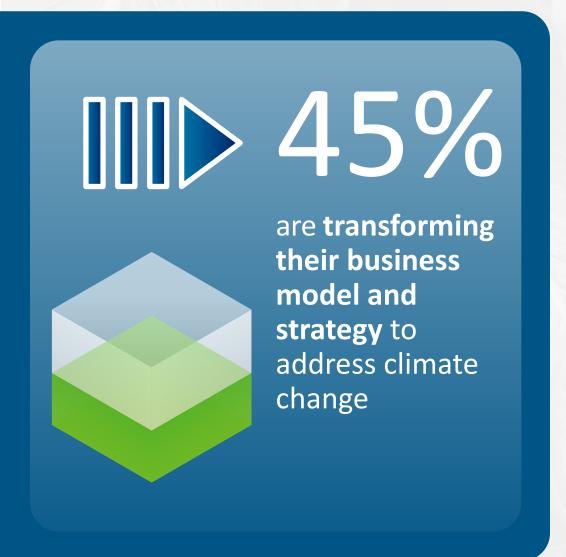
More CxOs are citing sustainability as a driver of new products, business models, and value creation overall, rather than a compliance or brand-building exercise.

Key survey findings



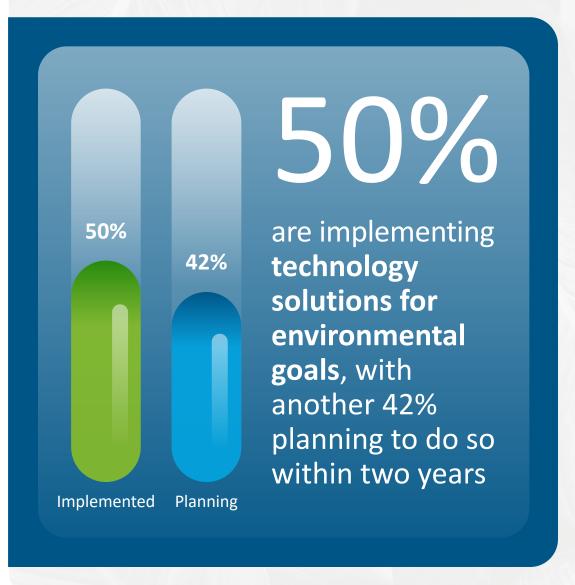
The shift to a low-emissions economy presents business potential—driving new products, business models, and value creation.

Key survey findings



Organizations have varying approaches to sustainability and climate change, with a strong focus on transforming business models and embedding sustainability considerations throughout their operations.

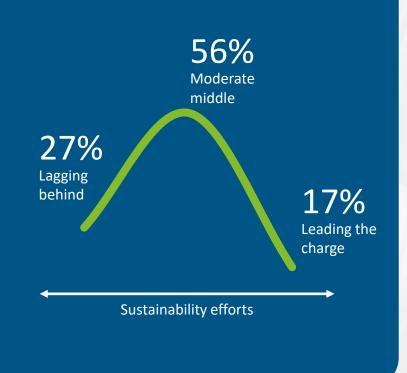
### Deloitte 2024 CxO Sustainability Report Key survey findings



Climate action spurs innovation and technology investment, enabling solutions with environmental and business benefits.

Key survey findings

The "moderate middle" companies have an opportunity to drive broader and deeper action, potentially tipping the balance for rapid change.



Uneven landscape of corporate climate action poses risks; a "go-slow" approach can lead to competitive disadvantage.

Recommendations for leaders

Build on key strengths.

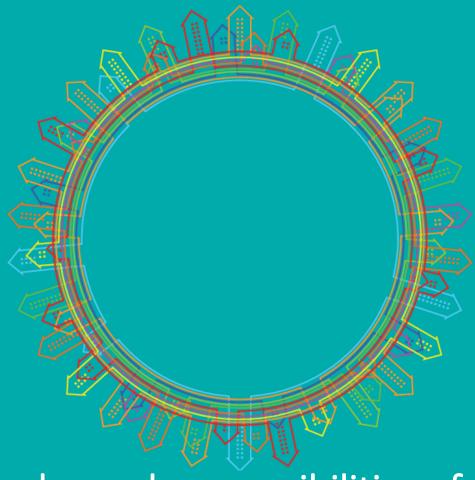
Consider the full set of pathways to creating impact.

Collaborate beyond the four walls of the business.

Explore the full range of benefits to make the business case.

#### Useful links / references for Board members

- Chapter Zero Ireland
- Shaping the board's strategic direction on climate | Deloitte Global
- EMEA Sustainability Regulation Hub (deloitte.com)
- Deloitte 2024 CxO Sustainability Report | Deloitte
- Deloitte Financial Services regulatory timeline tool | Deloitte UK
- <u>Deloitte 2024 Sustainability Action Report</u>



Consideration of the roles and responsibilities of directors within the regulatory environment

Melissa Scully | Centre for Corporate Governance Lead | Partner

Thinking about how regulations might impact directors duties

# Are we seeing a new directors' duty emerge?



Shifts in stakeholder focus and litigation starting to increase...

- Good faith in the interests of the company
- **1** Honestly and responsibly to the conduct of the affairs
- Act in accordance to the constitution and purposes allowed by law
- A Not to use the company's information, property or opportunities for own benefit
- **S** Exercise independent judgement
- Avoid conflicts of interest
- Have regard to the interests of employees, shareholders and where relevant, creditors

Embedding sustainability into the core duties of the Board







#### 1. STEWARDSHIP

- Provides strategic leadership to help ensure that the purpose, vision and mission of the organisation are clear
- Defines and visibly role models the values, proactively develops its culture and furthers its sustainability
- Selects the CEO and helps to develop him/her and the wider management team. Ensure that there are the right senior sustainability resources
- Actively scans the environment for opportunities and risks
- Helps to develop effective governance arrangements, to include sustainability governance

#### 2. OVERSIGHT

- Oversees organisational performance (including ESG), conduct and strategy execution through seeking assurance and holding management to account
- Works to ensure it is properly informed on a timely basis
- Monitors compliance with obligations at various organisational levels
- Oversees the risk framework and major risks, including those related to climate and wider ESG
- Helps to ensure governance arrangements are effective and adhered to

#### 3. ACCOUNTABILITY

- Engages proactively and meaningfully with owners and stakeholders.
  Understands what is material to them and considers them as part of decision making.
- Openly and clearly explains the direction, performance and conduct of the organization, including in light of the achievement of its sustainability related goals
- Openly and clearly explains the impact that the Board has had and the effectiveness of its governance arrangements

The time a Board spends in each of these roles will depend on the statutory and legal context within which it operates...

Practical tips to consider



Ensure sustainability related responsibilities (both strategic and risk related) are included in the **Board Schedule of Matters**Reserved and each Committee's **Terms of Reference** 

1

2

Consider if **Board-level committee structure** adequately supports sustainability governance and oversight

Review **Forward Plans** for Board and Committees to ensure sufficient time is spent on sustainability throughout the year, covering relevant specific areas such as social impact, biodiversity etc.

3

4

Spend time reviewing **sustainability reporting** provided to the Board allows for appropriate oversight and assurance, as well as supporting forward-looking considerations

Conduct a full review of **Company and Board-level policies** from a sustainability perspective to ensure alignment with emerging best practice (e.g. Human Rights Policy)

5

6

Ensure that a range of **stakeholders** are considered as part of **decision-making**, and that minutes and reports document this evidence. Provide contribution and challenge during meetings.

Understanding assurance in the context of Board member duties

Assurance is the act of *feeling confident* that an explanation or information you have been given is correct and/or any proposed action(s) will have the impact intended *without* needing to have done or do the work yourself.

Assurance – 'It is ok because I have engaged with various reliable sources of information and I'm satisfied with the course of action' with Assumption and Reassurance 'It's ok because we 'It's ok because the have no evidence to CEO says it is'. the contrary'

Examples in action

The organisation has a track record of delivering something similar or related in the past, for instance managing change

Under scrutiny, a Board Member can explain clearly and logically what has happened, why it has happened and what management are going to do about it In particularly complex and/or technical areas, **independent advice** has been sought from appropriately qualified people

I can rely on the quality of information being presented to me because it has been tested by internal and/or external audit

Under examination, management's explanations for events or reasons as to why the Board should take a particular course of action are consistent, not changing from month to month or person to person without good reason

#### Additional reading



What are directors' duties in a 'nature positive' world? | World Economic Forum (weforum.org)



How to thrive when uncertainty becomes the new norm for governance: #3 Guiding organisations towards meaningful social impact (linkedin.com)



ESG and directors' duties: Are they compatible? | Global law firm | Norton Rose Fulbright

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