



Climate risk: board considerations

Board Leadership Center

14 June 2021

With you today



Olivier Macq
Chairman
BLC Belgium



Michael Wagemans
Head of Sustainability
KPMG in Belgium

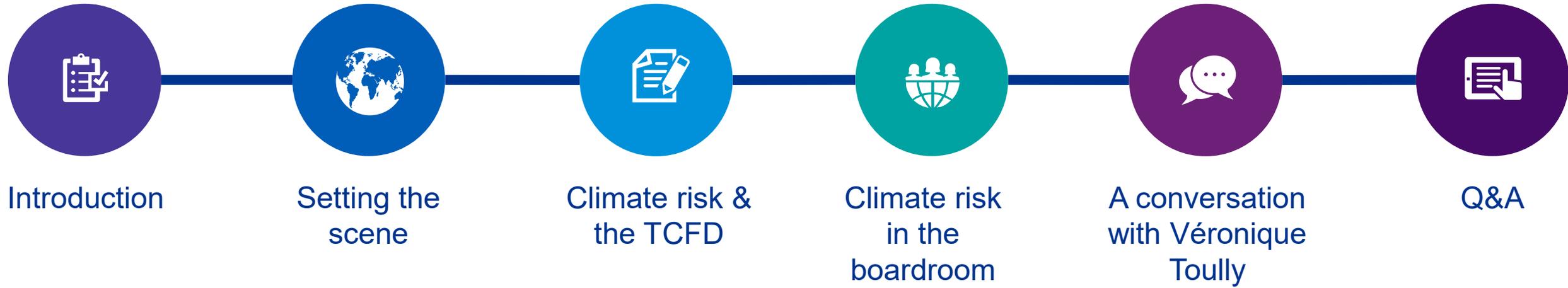


Wim Bartels
Global Co-Head, Impact
Measurement, Assurance &
Reporting
KPMG in the Netherlands



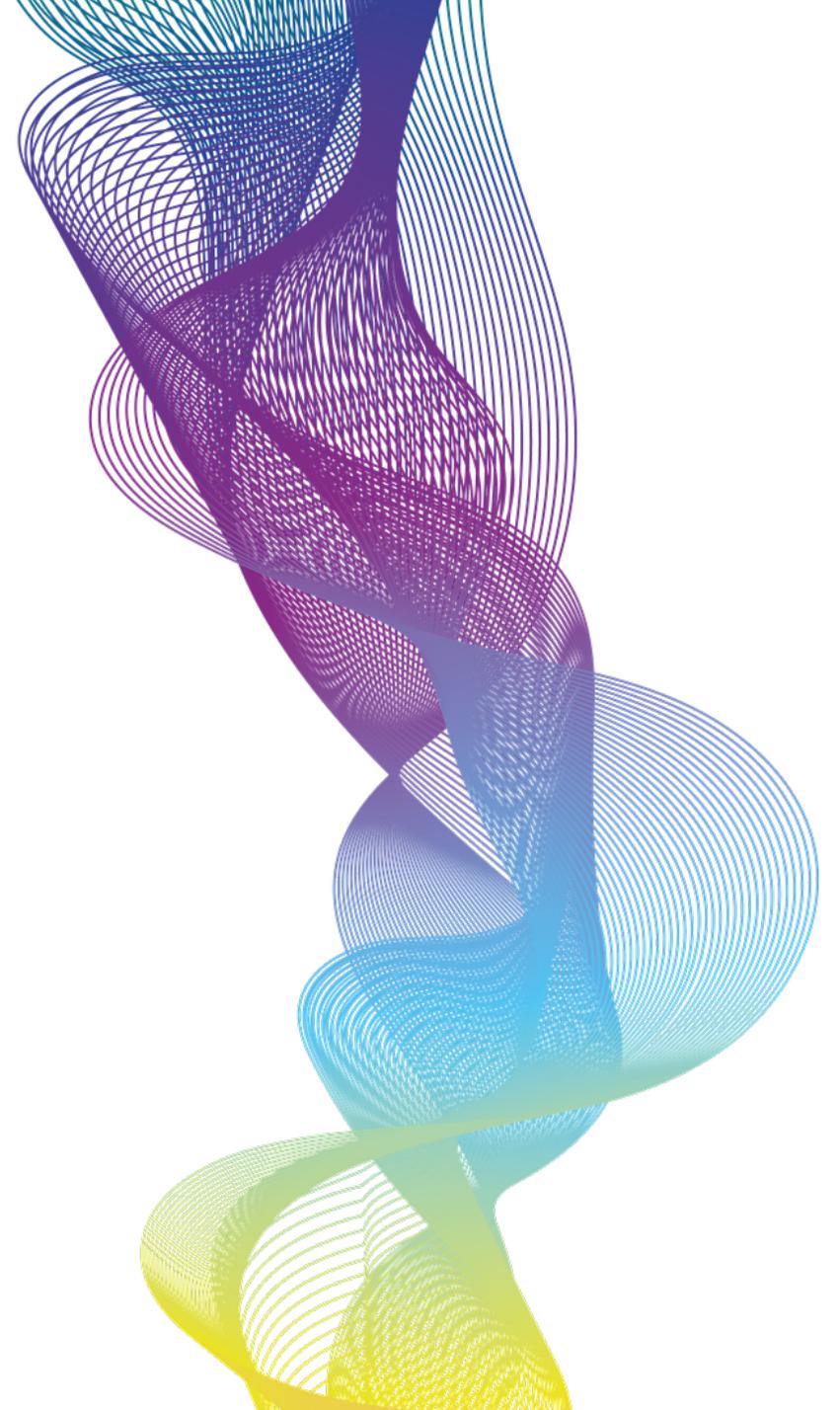
Véronique Touilly
Vice-President and Global
Head of Sustainability
UCB

Agenda





Setting the scene



ESG issues are being incorporated in business practices

“E” issues: How a business performs as a steward of the natural environment



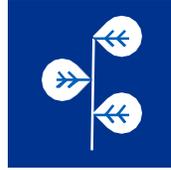
Greenhouse gases



Waste



Water



Land use

“S” issues: How a business treats its people, including employees



Workforce and diversity



Safety management

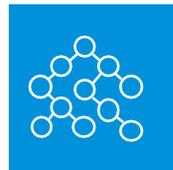


Customer engagement



Communities

“G” issues: How a business is governed



Structure and oversight



Code and values



Transparency and reporting



Cyber risks and systems



ESG integration is becoming a norm



ESG issues are financially material



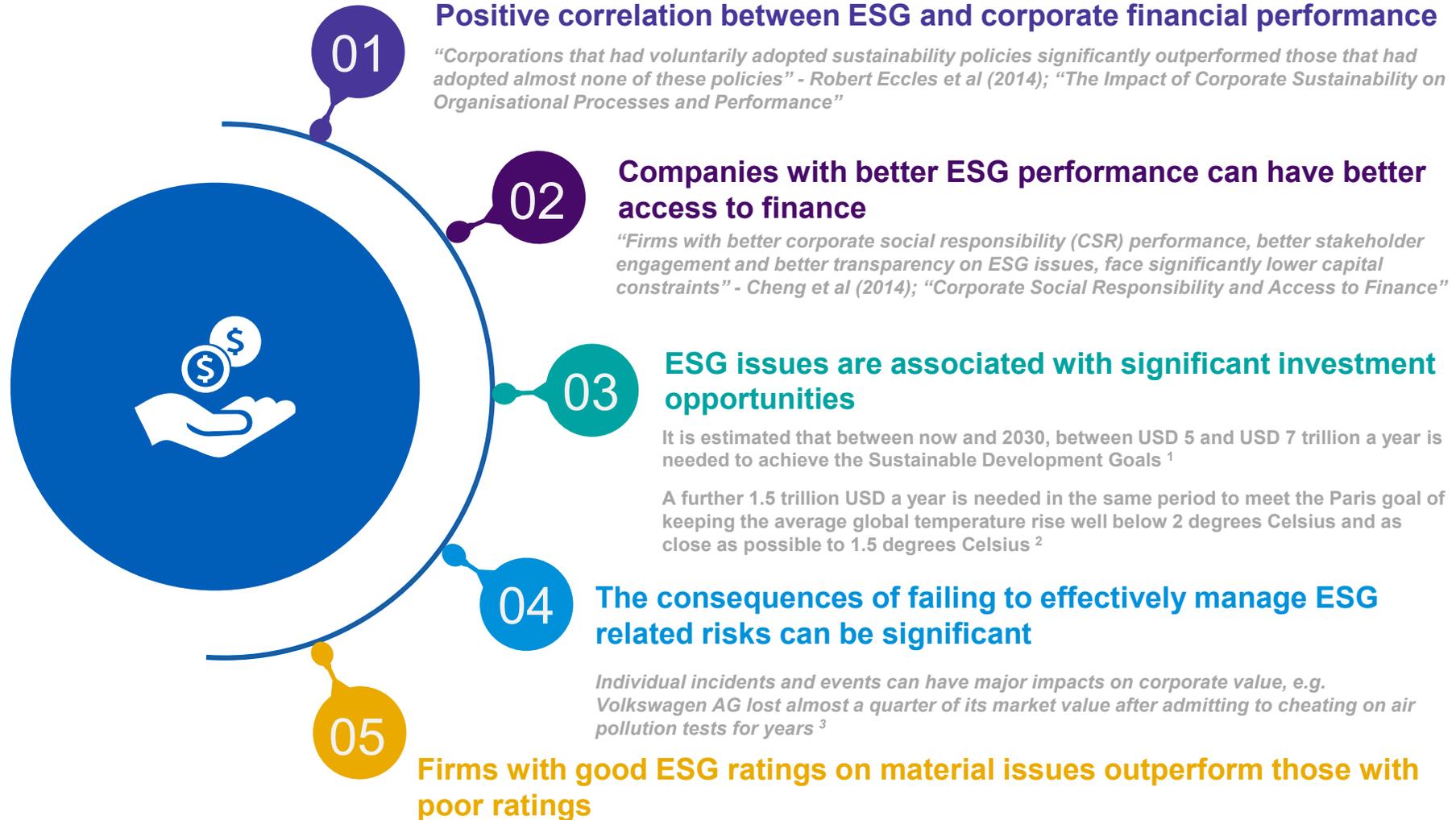
Policy and regulatory frameworks are changing to require ESG integration



The Covid-19 pandemic has led to an increase in the saliency of Environmental and Social risk issues

Inspired by: "Fiduciary duty in the 21st Century", a report by PRI and UNEP FI

The financial and investment relevance of ESG



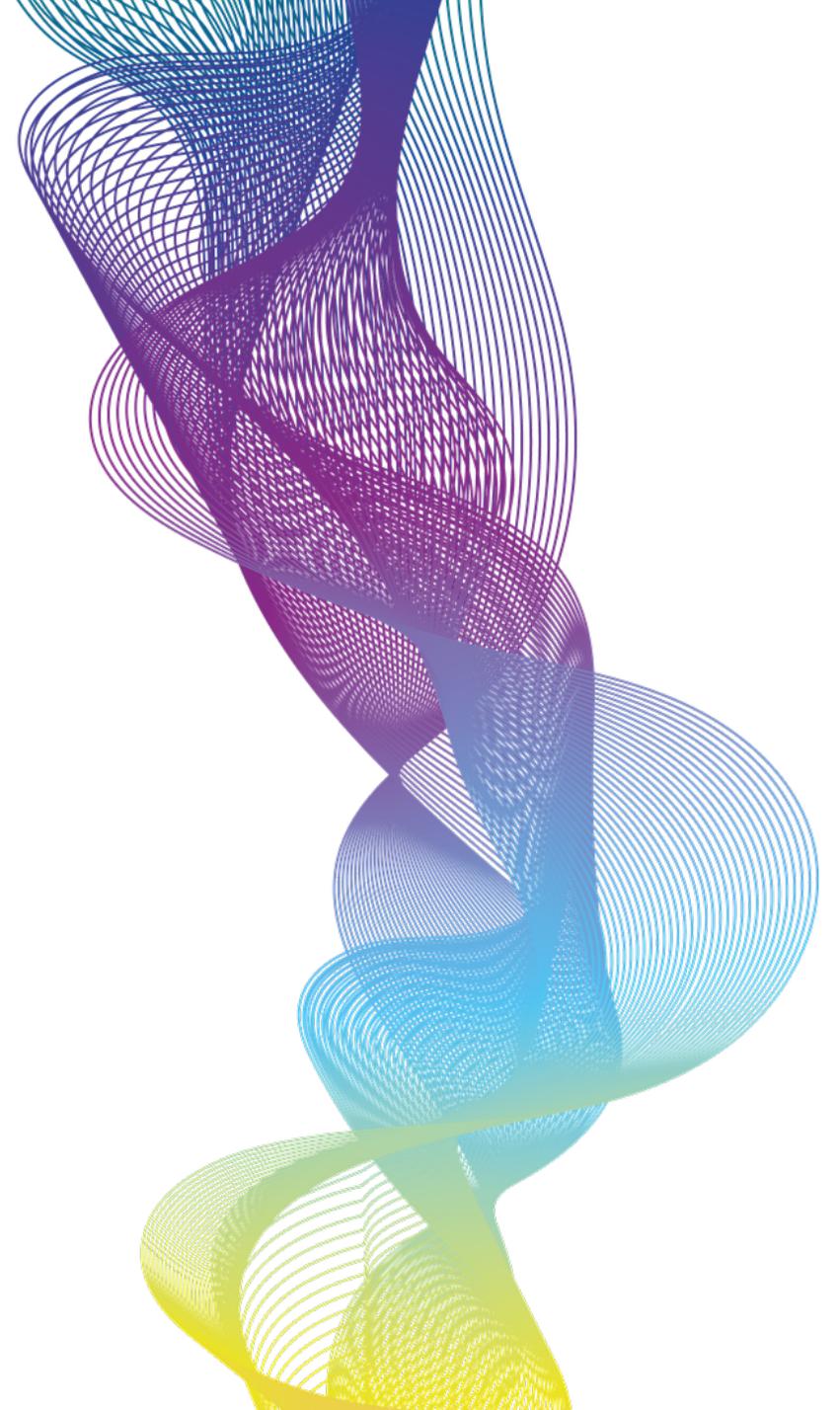
¹ See <http://www.unepfi.org/positive-impact/principles-for-positive-impact-finance/>.

² See <https://cop23.unfccc.int/news/bridging-climate-ambition-and-finance-gaps>

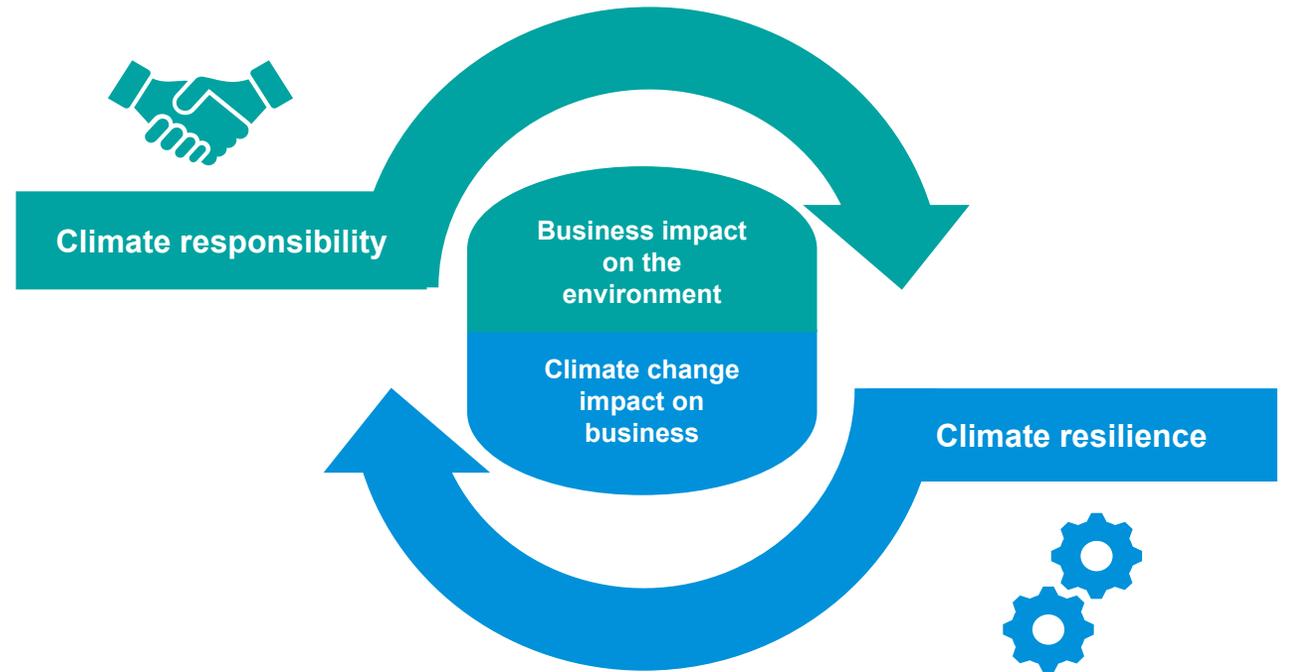
³ See https://arabesque.com/research/From_the_stockholder_to_the_stakeholder_web.pdf



The Taskforce for Climate-related Financial Disclosures (TCFD)



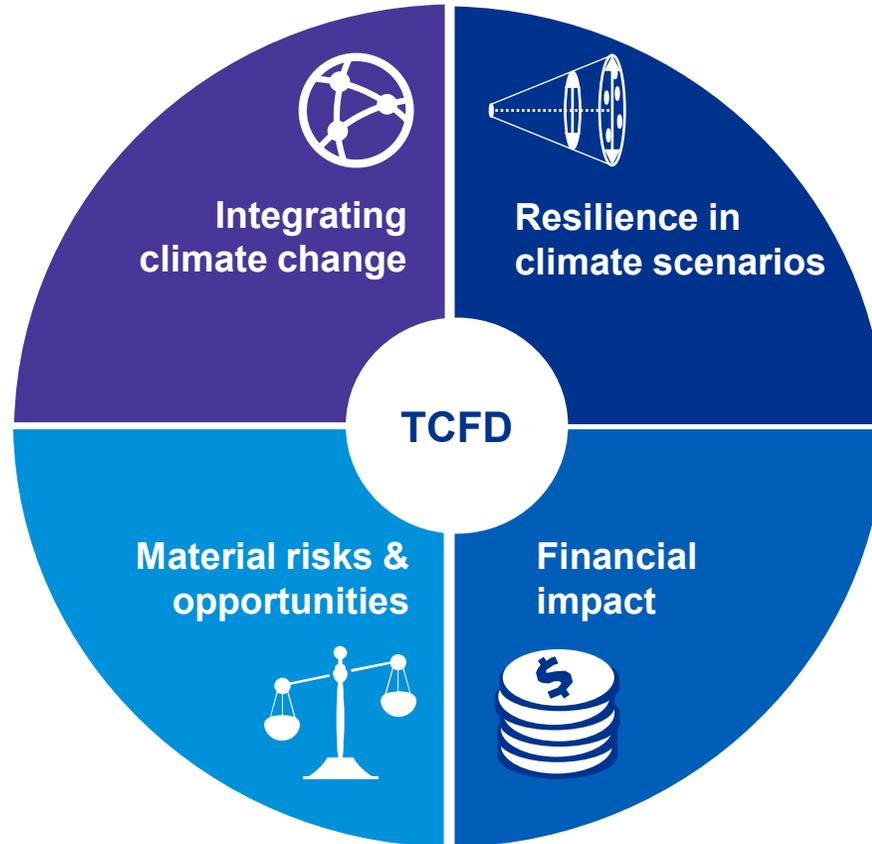
The Taskforce for Climate-related Financial Disclosures (TCFD)



TCFD recommendations

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization’s governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>
<p>a) Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization’s processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p>	<p>b) Describe the organization’s processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

Challenges posed by the TCFD

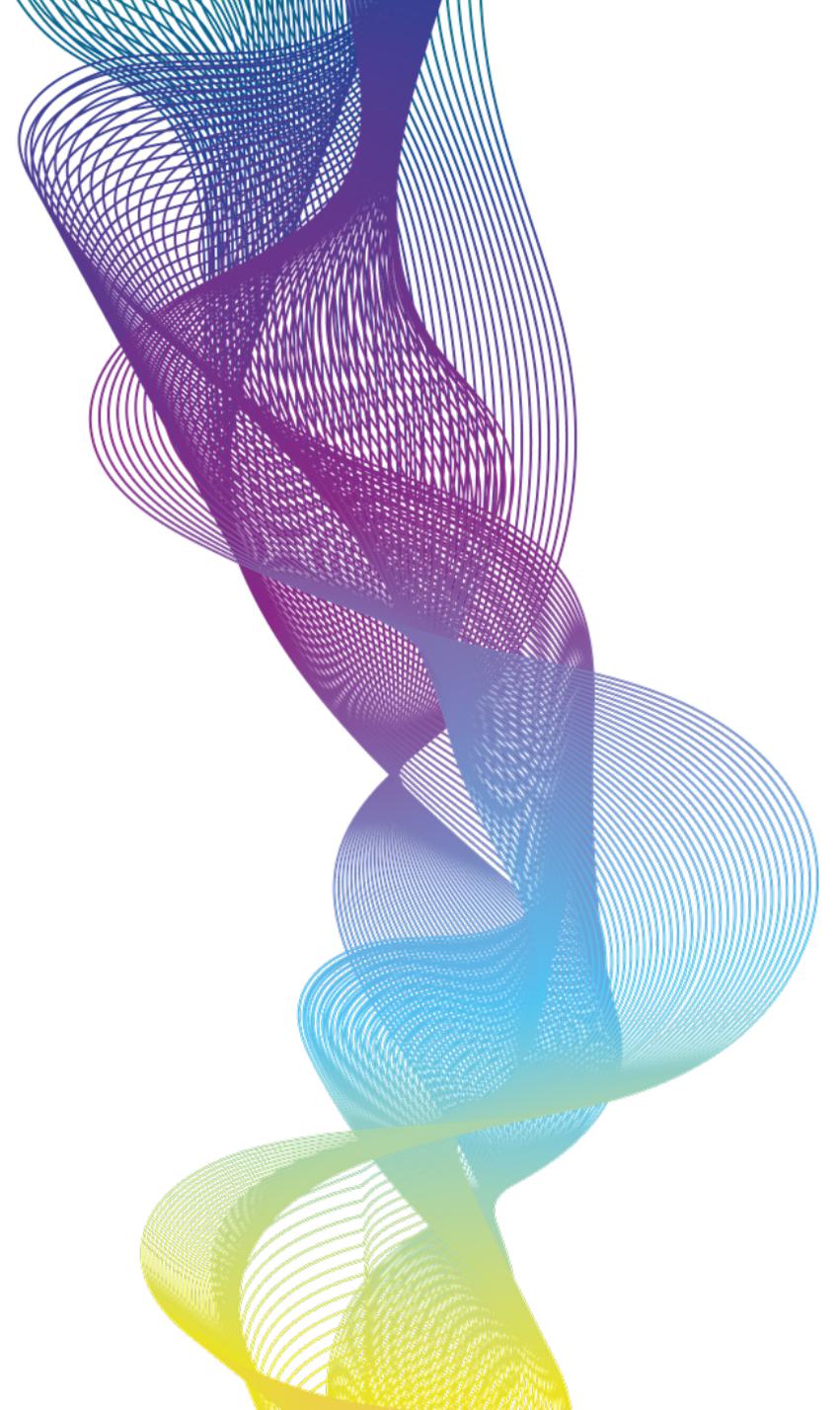


What the TCFD recommendations mean for Boards





Climate risk in the boardroom



There is a climate imperative for businesses

Climate features in the news ...



Sources:

- [Dutch court orders Shell to accelerate emissions cuts | Financial Times \(ft.com\)](#)
- [Chevron Investors Back Climate Proposal in Rebuke to C-Suite – Bloomberg](#)
- [Activist Shareholder Wins Two Seats On ExxonMobil's Board Amid Battle Over Climate Change \(forbes.com\)](#)
- [Exxon Board to Get a Third Activist Pushing Cleaner Energy - The New York Times \(nytimes.com\)](#)
- [Larry Fink CEO Letter | BlackRock](#)

... tilting opinion towards a 'climate imperative' for business

CO₂

"Business leaders ought to make decisions that limit their firms' GHG emissions to a level that is compatible with keeping global heating within recommended limits"

The climate imperative carries internal and external implications to the operations of companies

Internally - Assess own contributions to the climate emergency and set ambitious goals to reduce them	Externally - Engage in pro-climate sourcing, distribution, awareness generation and advocacy
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Source: [The Climate Imperative for Business | California Management Review \(berkeley.edu\)](#)

The role of a Board can typically vary from supervising to co-creating, yet must not degrade into either “rubber-stamping” or “second-guessing”



**Rubber-stamping
the CEO's
decisions**



**Second-guessing
the executive
team**

Monitor corporate performance and executive team behaviour.

Supervise strategy, design and implementation.

Probe and sense risks, strategic inconsistencies and flaws that could threaten the business.

Use the Board's distance, objectivity and stamp of approval to lend credibility and authority to the strategic initiatives and decisions taken by the executive team, both externally and internally, and open doors as required.

Engage with management in defining the company's strategy.

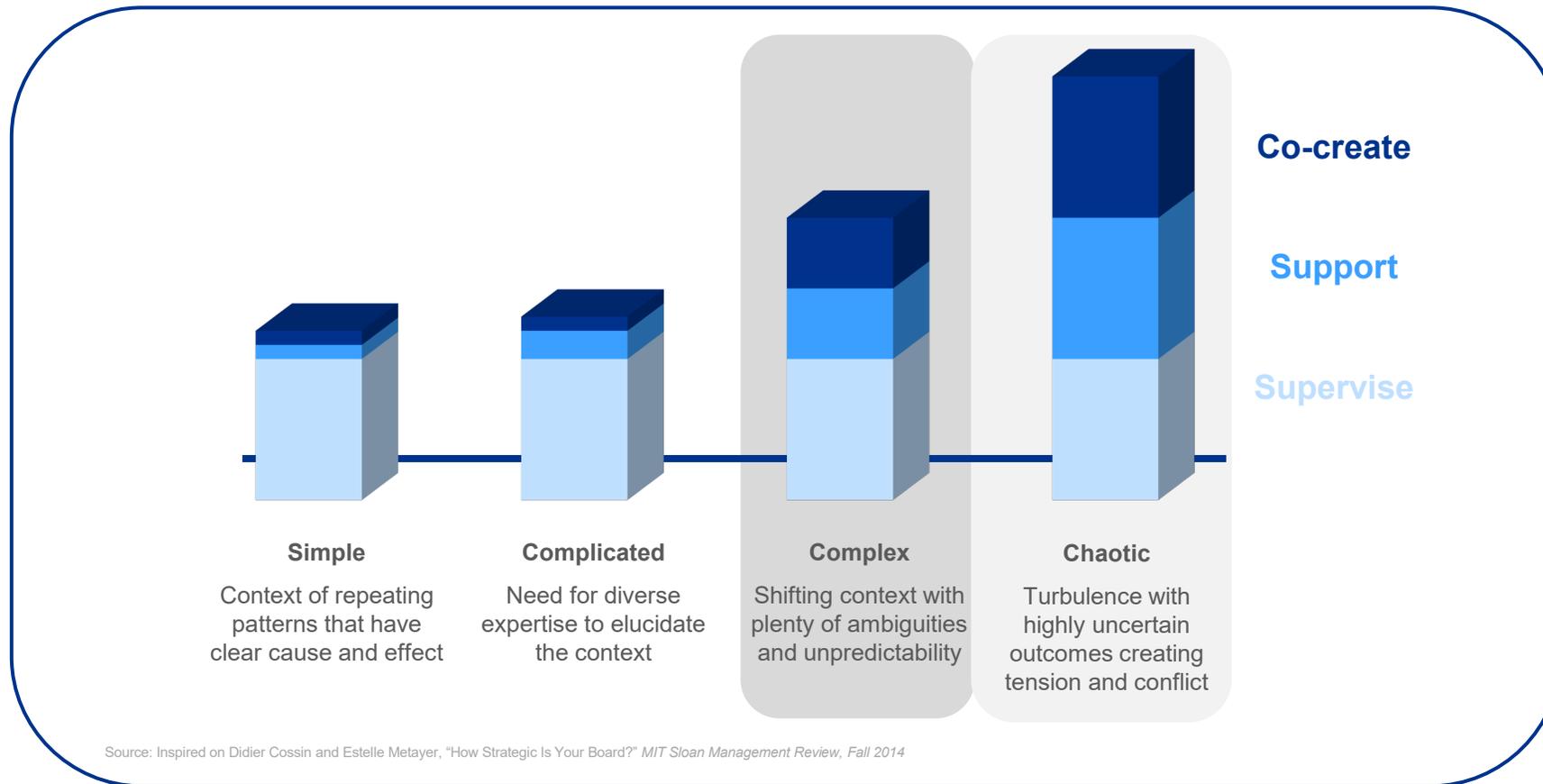
Contribute industry and managerial experience and stakeholder contacts to broaden the perspective of the company's executives.

Desirable
Not desirable

Source: Inspired on Didier Cossin and Estelle Metayer, "How Strategic Is Your Board?" MIT Sloan Management Review, Fall 2014



The business context surrounding the climate emergency should inform the mix of roles that the Board fulfills



Sample questions for Boards to ask

Responsibility

Do we fully recognize the public interest responsibility to make the business more sustainable?

How much board time do we spend on matters related to ESG (vis-à-vis financial performance management)?

How do we effectively engage management on the topic?

Business Impact

Are we fully capturing the impact of ESG on the business model of the firm?

How does the climate challenge feature in business decisions (e.g. in regards the product portfolio) and investments? How do we measure the impact of those decisions and investments?

Risk Management

Is our approach to risk management still aligned with the evolving ESG landscape?

Are we measuring and tracking what matters?

Configuration

Do we have the right board configuration to address ESG challenges and opportunities?

Do we have the right roles, processes and competences to do so?

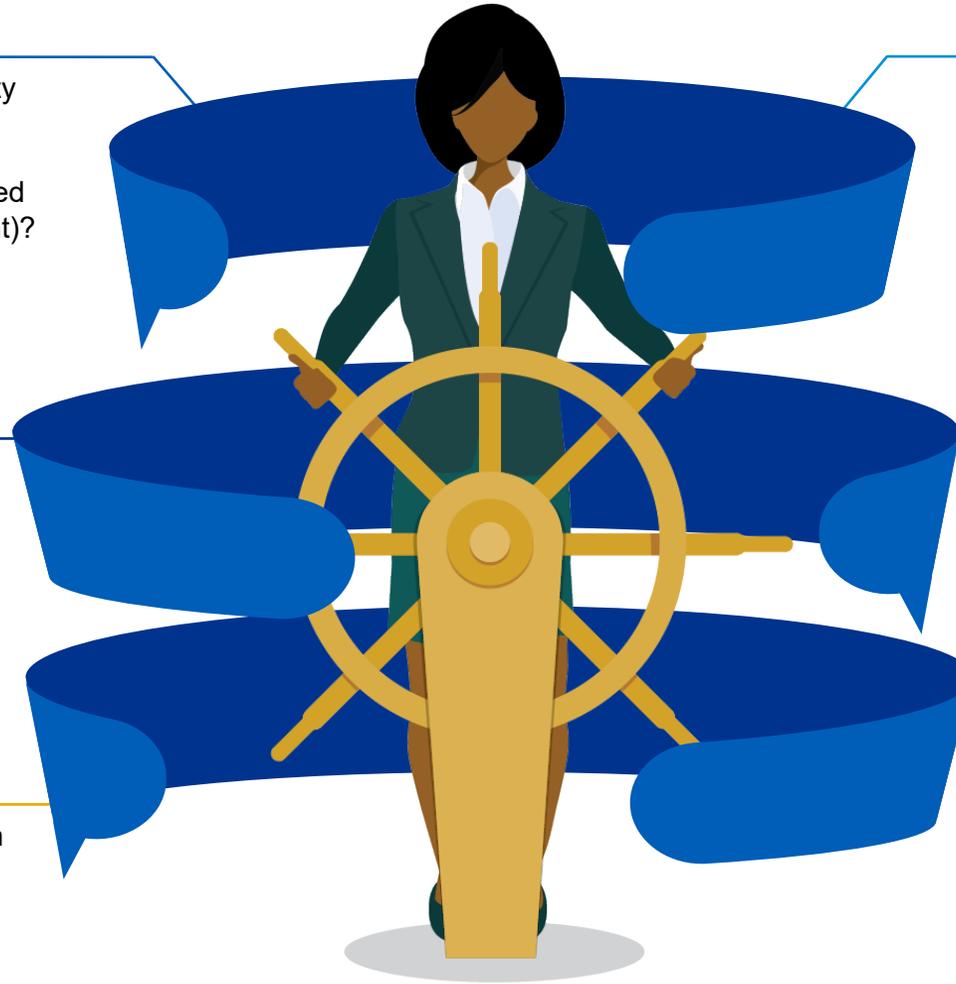
Incentives

Do our reward structures produce appropriate incentives that encourage desired behaviours in terms of the ESG agenda?

Stakeholders

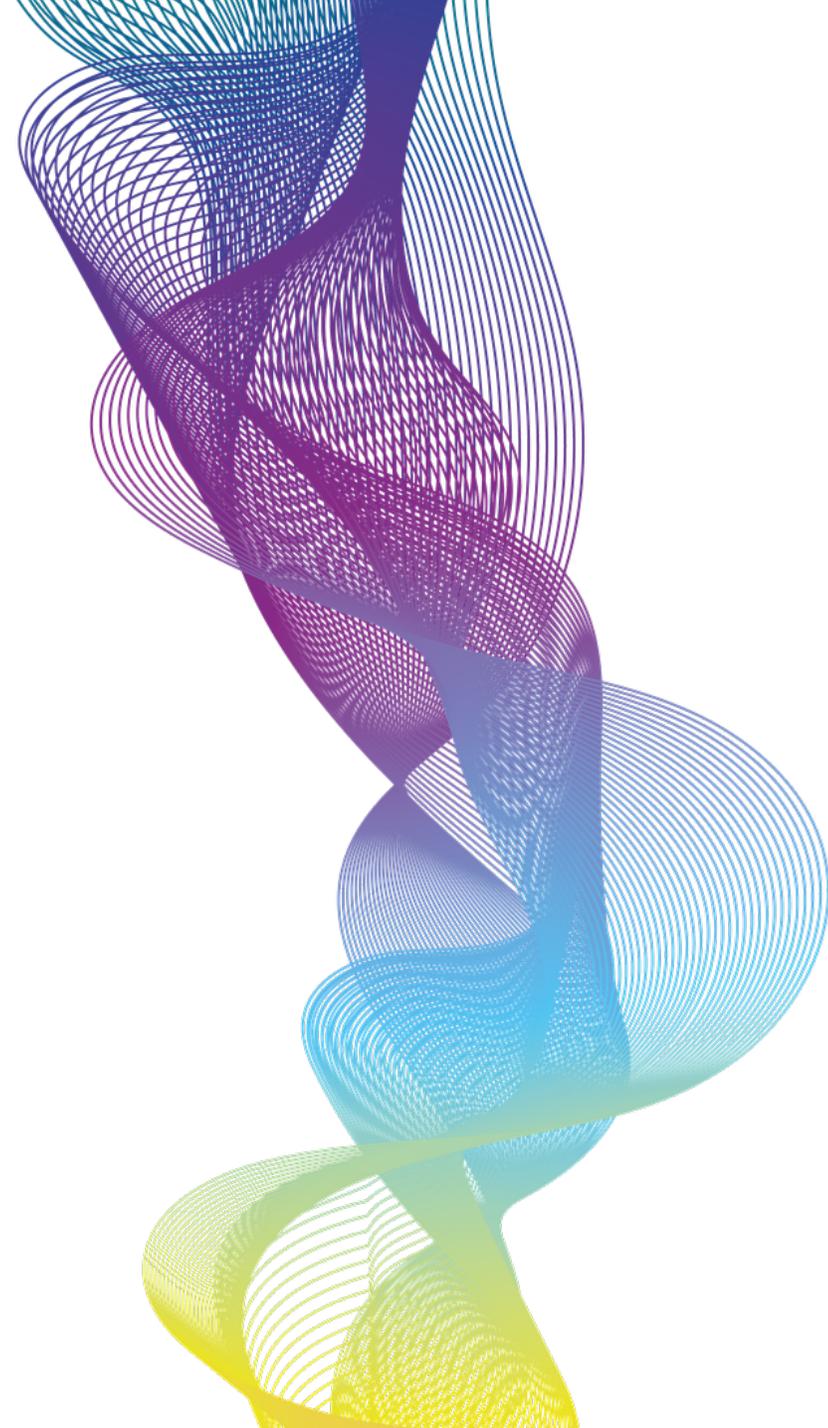
Do we look beyond our strict business boundaries when it comes to ESG?

Do we engage with and listen to all stakeholders affected by ESG challenges (employees, customers, suppliers, authorities & regulators, ...)?





A conversation with Véronique Touilly



UCB - Sustainable growth, now and into the future

Veronique Toully

14th June 2021

KPMG Belgium BLC Webinar



Inspired by **patients.**
Driven by **science.**

A long-term view – thinking in generations

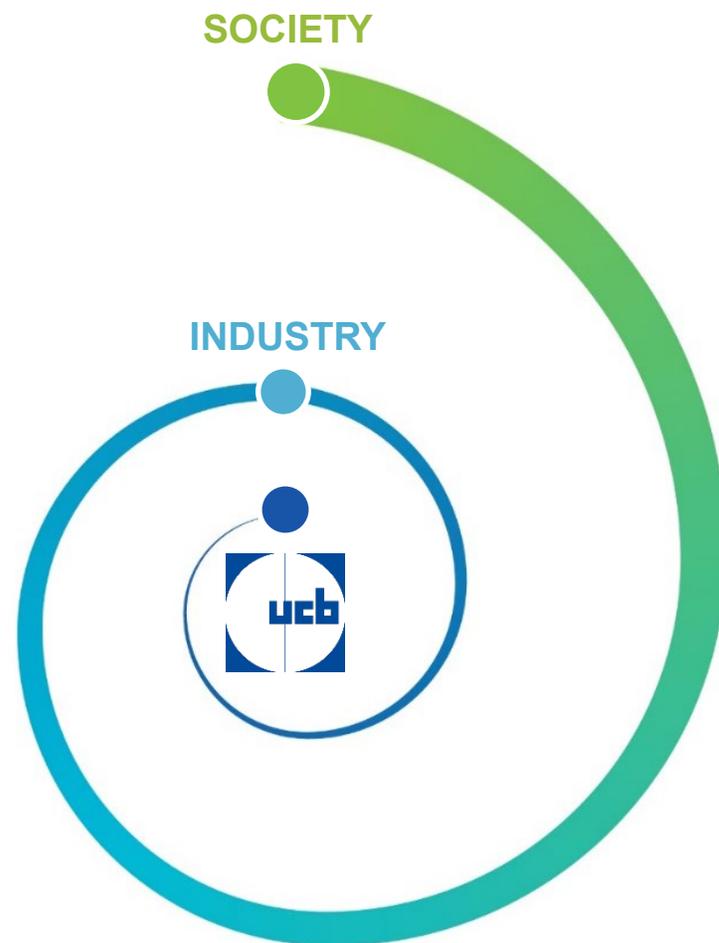


Baron Emmanuel Janssen who founded and listed UCB at the stock exchange in 1928
Janssen Family holding 35% of UCB shares today

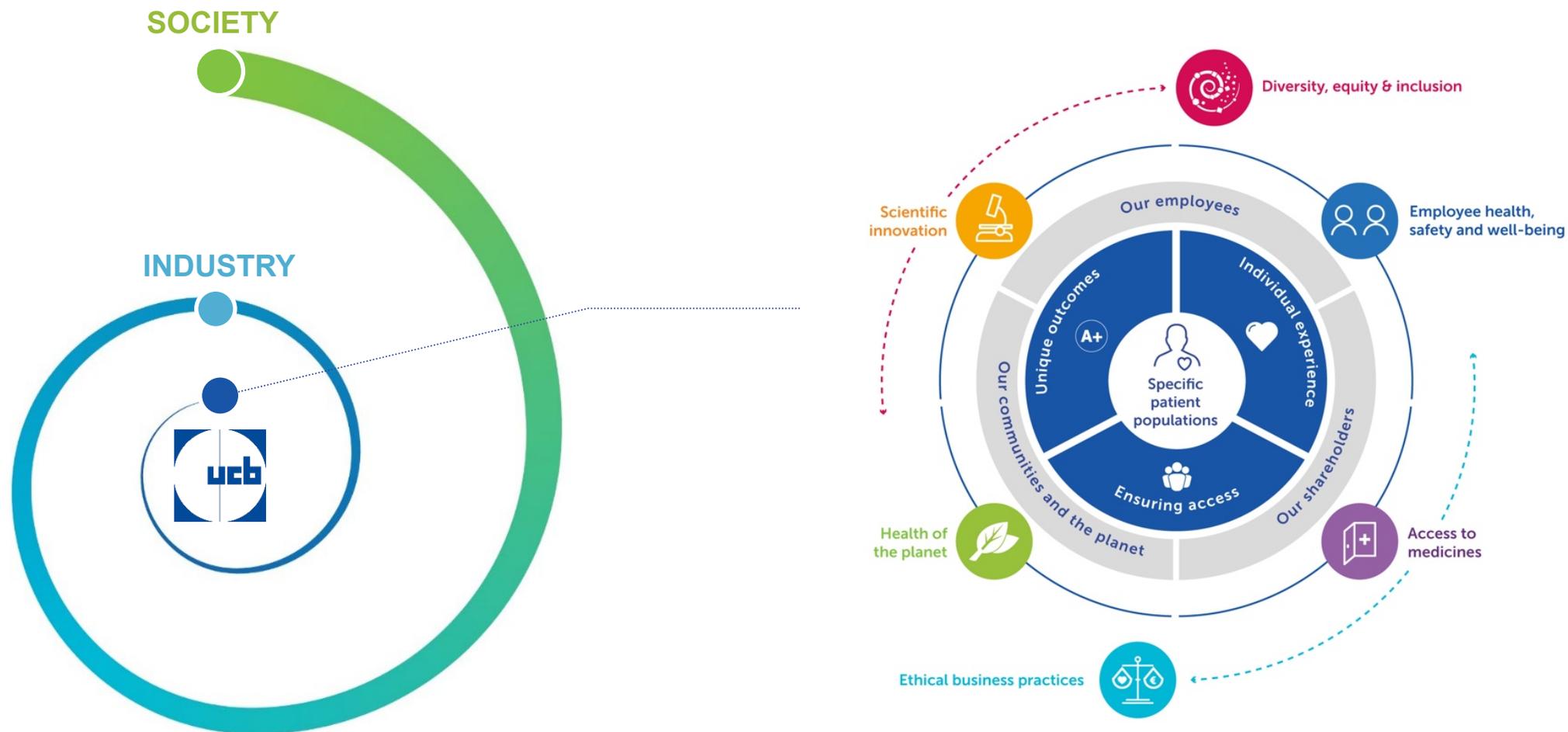
Our purpose is to create value for patients now and into the future



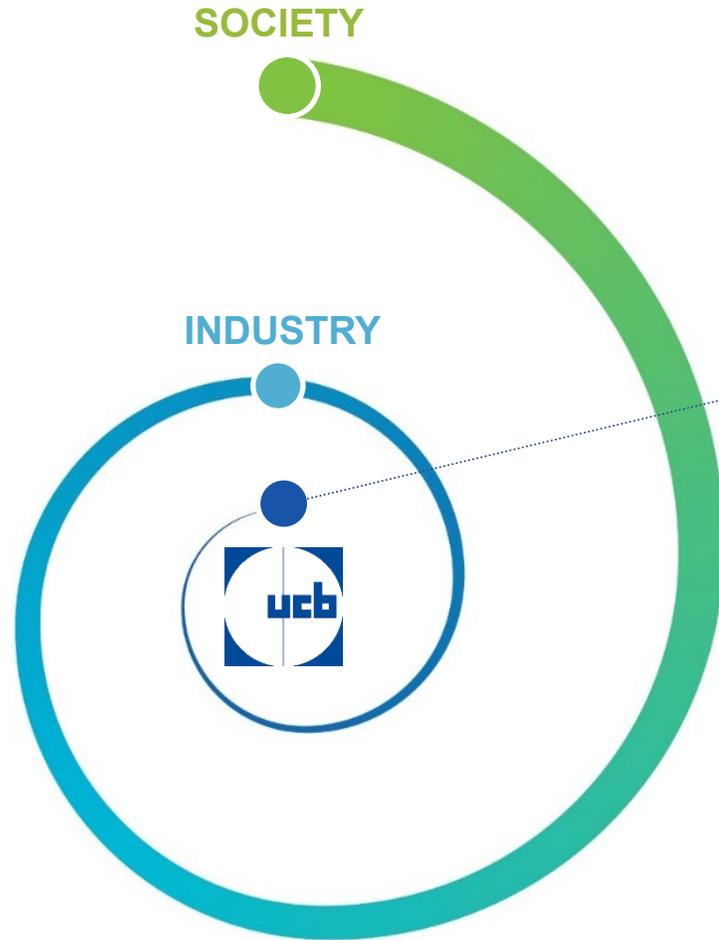
Accounting for biggest societal challenges and opportunities and driving business growth



Accounting for biggest societal challenges and opportunities and driving business growth



Accounting for biggest societal challenges and opportunities and driving business growth



2022-2025

Value for patients

We aim to bring to patients **differentiated solutions with higher predictability** of response and **in 2030, all patients who need these solutions shall have access to them.**

Value for people at UCB

We are creating the right conditions for **all UCB employees to thrive** .

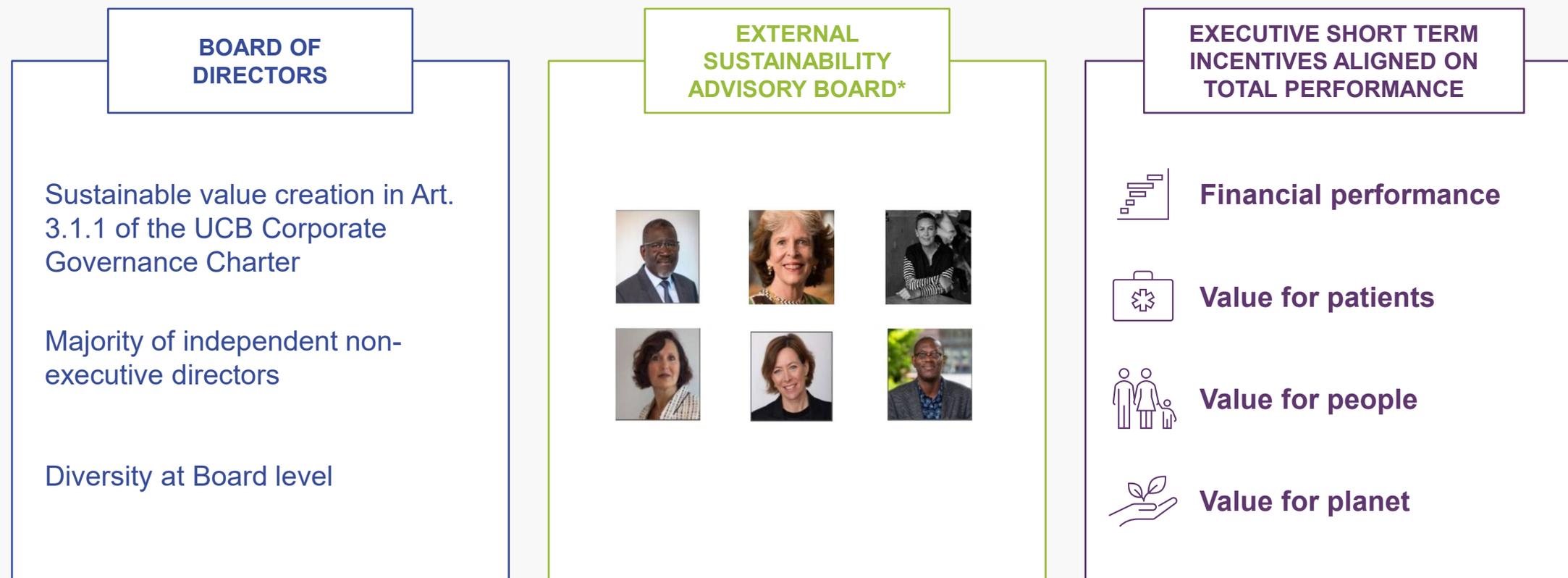
Value for the planet

By 2030, we will deliver **our Science Based Targets** towards carbon neutrality and reduce our water consumption and waste production by respectively 20% and 25%.

Value for shareholders

By 2025, we will **lead in 5 specific patient populations**
Our revenue are expected to reach of at **least € 6 billion** and our **adj. EBITDA margin to be in the low to mid-thirties.**
We will have **improved** significantly our **ESG rating performance.**

Our governance supports our sustainable growth commitment





Inspired by **patients.**
Driven by **science.**