NACD CHAPTER PROGRAM SUMMARY

NACD NEW ENGLAND CHAPTER

EVENT TITLE: Climate and Sustainability: Risks and Opportunities
EVENT DATE: 2/6/2025
EVENT TIME: 12:00 Noon ET

PROGRAM SUMMARY:

As climate and sustainability issues continue to shape corporate strategies and investor expectations, board oversight of these matters has become increasingly critical. This NACD New England Chapter program explored the evolving landscape of climate-related risks and opportunities, focusing on the regulatory, financial, and reputational implications for public companies. The discussion emphasized the importance of board leadership in integrating sustainability into corporate strategy, balancing short- and long-term priorities, and ensuring effective disclosure practices. Participants gained insight into emerging climate regulations, investor scrutiny, and best practices for board oversight in an era of heightened sustainability expectations.

The Evolving Regulatory Landscape

The regulatory environment surrounding climate risk disclosure is shifting rapidly, with the SEC's proposed climate-related disclosure rules and global regulatory bodies emphasizing transparency in environmental impact. The discussion examined how these regulations are shaping corporate reporting requirements, and the steps boards should take to ensure compliance. Speakers underscored the necessity of aligning disclosure practices with evolving expectations from investors, proxy advisors, and other stakeholders. Key considerations include the role of materiality in climate disclosures, the importance of scenario analysis, and ensuring that sustainability metrics are auditable and integrated into financial reporting.

Investor Expectations and the Board's Role

Investors are increasingly prioritizing climate-related risks and opportunities in their decision-making processes. The panel explored the growing influence of institutional investors, who are pressing companies for detailed climate strategies, emissions reduction targets, and clear accountability structures. Boards must understand the link between sustainability initiatives and long-term value creation. The discussion highlighted that board engagement with investors on these issues should be proactive, with directors being well-versed in the company's climate-related goals and progress. Aligning sustainability commitments with business performance and risk mitigation was a central theme.

Risk Management and Climate Governance
Boards are tasked with ensuring that climate risks are effectively managed and integrated into the company's overall enterprise risk framework. The conversation underscored that climate risk is not just an environmental issue but a fundamental business risk that affects supply chains, operations, and financial performance. Participants examined the different types of climate risks—physical risks (such as extreme weather events) and transition risks (such as regulatory shifts and market changes)—and how companies should assess and mitigate them. Implementing robust governance structures, including board committees dedicated to sustainability, was recommended as a best practice.

The Link Between Climate Strategy and Corporate Performance
Sustainability strategies must be tied to financial performance and business resilience. The discussion covered how companies are integrating climate-related goals into corporate strategy, capital allocation, and executive compensation. Board members should ensure that sustainability initiatives contribute to revenue generation, cost efficiency, and competitive advantage rather than being seen as standalone ESG efforts. The importance of setting science-based targets, measuring progress through key performance indicators (KPIs), and fostering accountability across leadership teams was emphasized.

Transparency and Effective Climate Disclosure
As scrutiny on climate-related disclosures intensifies, companies must be prepared to provide clear, consistent, and decision-useful information to stakeholders. The discussion explored best practices in climate reporting,

including the use of frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). Boards should assess whether climate commitments are aligned with business realities and ensure that sustainability reports are not merely marketing tools but reflect genuine progress and accountability.

Operationalizing Sustainability: From Boardroom to Execution

Boards play a crucial role in embedding sustainability into corporate culture and decision-making. The discussion covered strategies for ensuring that climate initiatives are operationalized throughout the organization, from supply chain management to product innovation. Integrating climate considerations into capital expenditure decisions and embedding sustainability into leadership incentive structures were highlighted as key approaches. Additionally, fostering a corporate culture that embraces sustainability at all levels of the organization was cited as essential for long-term success.

The Role of Compensation Committees in Climate Strategy

Linking executive compensation to sustainability goals is becoming a growing expectation from investors and stakeholders. The conversation explored how compensation committees can structure incentives to drive accountability for climate-related initiatives. Discussions included examples of companies incorporating carbon reduction targets, energy efficiency improvements, and other sustainability metrics into performance-based pay structures. The panelists emphasized that any linkage must be meaningful, measurable, and aligned with broader corporate objectives to be effective.

Balancing Short-Term Pressures with Long-Term Climate Goals

One of the ongoing challenges for boards is managing the tension between short-term financial performance and long-term climate commitments. The discussion examined how companies can maintain focus on sustainability initiatives despite external pressures such as economic downturns, shareholder activism, and market volatility. Boards must ensure that climate-related investments and risk mitigation strategies are framed within the context of long-term value creation and stakeholder trust.

KEY TAKEAWAYS:

Regulatory Compliance: Boards must stay ahead of evolving climate disclosure requirements and ensure alignment with SEC and global regulatory expectations.

Investor Engagement: Institutional investors expect clear, credible, and data-driven climate strategies tied to financial performance.

Enterprise Risk Management: Climate risks—both physical and transition—must be integrated into the company's broader risk framework and mitigation strategies.

Sustainability as a Business Imperative: Climate strategy should be directly linked to corporate performance, capital allocation, and long-term value creation.

Effective Climate Governance: Boards should establish clear oversight structures, potentially including dedicated sustainability committees, to ensure accountability and execution.

Transparent and Decision-Useful Disclosure: Climate reporting must be accurate, aligned with recognized frameworks, and reflect measurable progress.

Operational Integration: Embedding climate initiatives into corporate culture, leadership accountability, and supply chain decisions is critical for sustainability success.

Compensation Alignment: Incentive structures should incorporate climate-related goals in a way that is meaningful, measurable, and aligned with business strategy.

Managing Short-Term vs. Long-Term Priorities: Boards must balance external pressures with maintaining a consistent and long-term focus on sustainability.

This session provided directors with actionable insights on the evolving climate risk landscape and best practices for board oversight. As expectations from regulators, investors, and stakeholders continue to rise, corporate boards must take a proactive approach to climate governance, ensuring that sustainability is deeply embedded in corporate strategy and decision-making.

MODERATOR:

Heather Palmer, C-leader of ESG and Climate Change Practices, Sidley Austin LLP

SPEAKER(S):

Anne Roby, Former Executive Vice President, Linde

Tom Stricker, Group Vice President, Carbon Neutrality and Regulatory Affairs, Toyota Motor North America

Phyllis Yale, Advisory Partner, Bain & Company

PROGRAM PARTNER:

SIDLEY