Chapter Zero Poland
The Directors' Climate Forum

REPORT

SUPERVISORY BOARDS AND CLIMATE CHANGE

The survey was conducted under the Chapter Zero Poland programme by the Responsible Business Forum, in cooperation with the Deloitte Foundation.

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The Directors' Climate Forum

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Marzena Strzelczak
President of the Management Board and CEO
Responsible Business Forum

We are proud to provide you with the results of our nationwide survey about climate change awareness among supervisory boards. This is the very first attempt to look closely at the existing awareness of the global warming issue in the eyes of the supervisory board representatives. We are committed to initiating a more extensive debate on the place and role of supervisory boards in designing, together with other corporate governance structure components, solutions supporting the move toward zero greenhouse gas emissions.

In this era of growing discussion about the need for the business sector to address and adapt to climate change, it is right to reaffirm the role of all bodies that can support economic transformation and reformulate past practice by integrating economic and climate goals, whilst becoming increasingly aware of how these are linked to social goals, social cohesion and tackling inequality. We already know that it will not be an easy task to become climate neutral by 2050. To achieve this ambitious goal, many decisions affecting the future of not only individual companies, but the entire global community, must be made now.

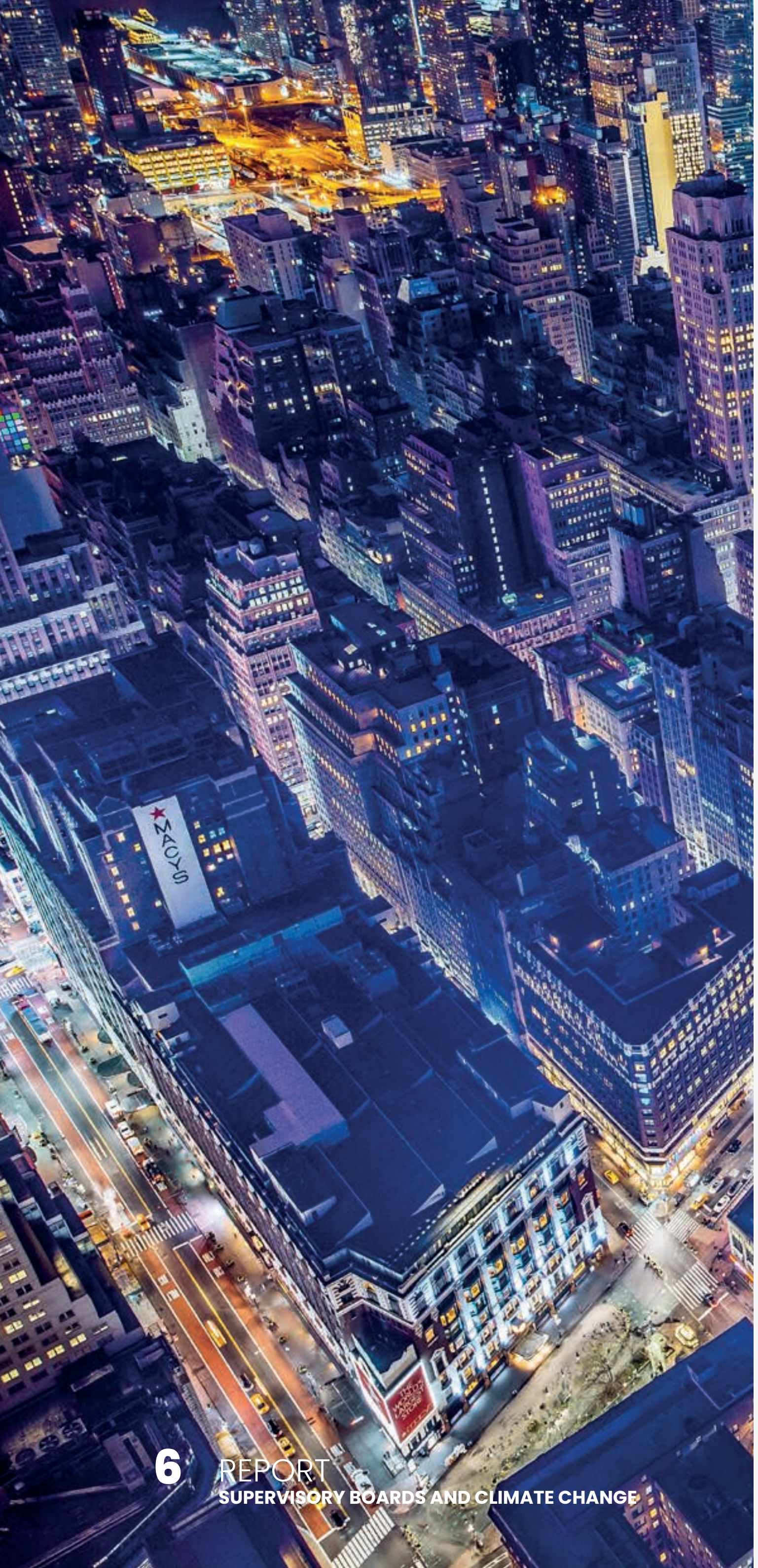
For this reason, there is a great need for educational activities that will provide the business sector with the competencies necessary to initiate and strengthen the process of change. Management and supervisory bodies equipped with knowledge about climate change and understanding the need to redefine strategy and approach to value creation emerge as key stakeholders of change in individual organizations. Our objectives in launching this survey project were to discover the current state of board members' awareness

of climate change, their approach to this global challenge, and the actions of their companies.

The survey was conducted as part of the Chapter Zero Poland program, the Polish branch of the international Climate Governance initiative founded by the World Economic Forum. The programme was launched in order to raise awareness of the consequences of climate change for business and the impact of business on climate. Through Chapter Zero Poland, we strive to educate, inspire, provide space for experience sharing, and deliver the tools necessary for management and supervisory bodies to meet climate challenges.

Readiness to react and plan effective business sustainability scenarios requires not only adequate resources, legal conditions and social acceptance, but above all a new outlook on doing business and giving priority to climate goals. For 2050 to be a success, the business world must redefine its organizational structures by defining responsibility for tasks and setting the reporting guidelines for the climate area. We are at the start of this journey, and it is crucial to learn and understand the situation and needs of a group that is key to the success of climate projects.

We hope that the findings of the survey will lead to interventions in areas that require it. Combating climate change is a universal goal that can be achieved in different ways. We encourage management board and supervisory board representatives to join the Chapter Zero Poland initiative in order to join us in working on and generating new ideas for tackling climate challenges.



A FOREWORD ON BEHALF OF DELOITTE POLSKA FOUNDATION

Irena Pichola
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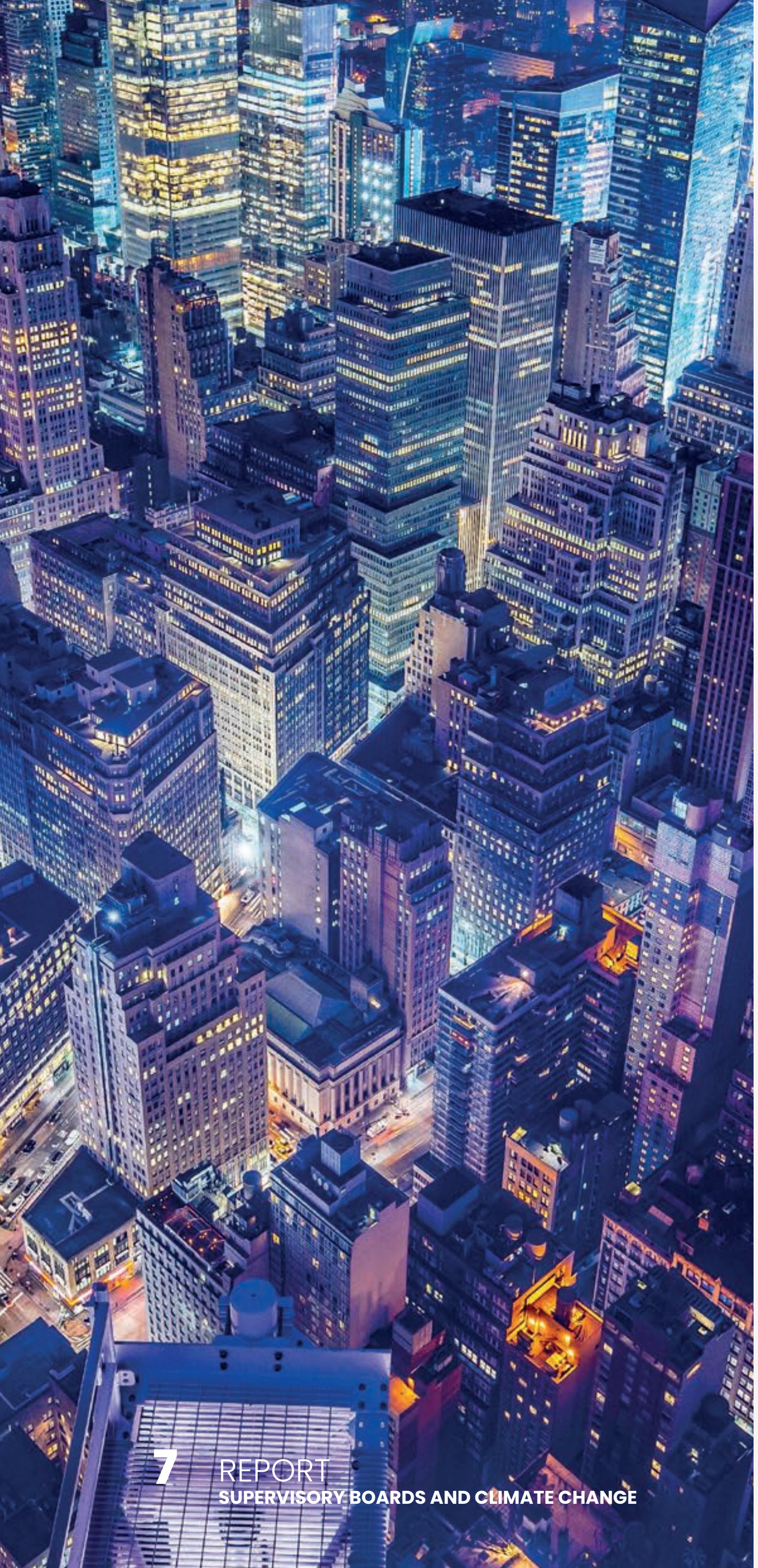
The United Nations' Intergovernmental Panel on Climate Change (IPCC) announced in its sixth report on the Earth's climate, published on 4 March 2022, that a temperature rise above the Paris Agreement level of 1.5 degrees Celsius by the end of the century is almost inevitable. This really is the last moment for companies and governments to take action to reduce their greenhouse gas emissions and so limit catastrophic climate change. Extreme weather events are already affecting people across the globe. According to research by Deloitte (Sustainable Actions Index, 2022), one in two people worldwide say they have been affected by extreme weather events in the past six months, and 73% of those surveyed say that acting on climate is now a matter of extreme urgency.

As the negative impact of business on the climate is indisputable, business climate transformation is becoming imminent. Under pressure from regulatory requirements,

as well as the expectations of, for example, business partners, consumers and employees, ever more companies recognize the need for concrete and



ambitious decarbonization plans. Either the companies take transformational action themselves and carry it out according to their own plan, or regulatory pressures and stakeholder expectations, to name a few, will force them to take immediate action in the near future. In the process of corporate climate transformation, the role of corporate governance structures is paramount. Climate change forces businesses around the world to face a number of risks that are not only new, but also very complex and multifaceted. In Poland, too, due to the climate change process, companies will be forced to face new risk factors.

These include primarily:

- international and local regulatory changes;
- increasing climate responsibility requirements on the part of consumers;
- additional climate-related requirements to raise new capital;
- changing requirements of business partners related to their climate transition;
- unpredictable supply chain disruptions;
- disruptions in human labor and recruitment;
- failures of production systems due to extreme weather events;
- reputation crises caused by the environmental impact of business operations.

The list of risks is much longer and varies by industry, geography, and regulatory actions.

Each climate risk requires analysis and planned action by management in close collaboration with supervisory boards. Corporate climate leadership requires structured cooperation between management and supervisory structures. This allows for addressing existing climate risks as well as seizing potential opportunities from the transition.

In terms of the climate transition, supervisory board members are tasked with many new roles, but they also have an incredibly important mission to accomplish.

Changing regulations promise a range of new responsibilities for supervisory board members.

Established at the COP 26 climate conference in Glasgow in November 2021, the International Sustainability Standards Board (ISSB), working on behalf of the International Financial Reporting Standards (IFRS) foundation, will propose changes to the recommendations for standards on integrated financial and

non-financial reporting, with disclosure of climate risks and ESG factors, later in 2022. The same course of action has been adopted by the European Commission. New regulatory changes coming out as the CSRD (Corporate Sustainability Reporting Directive), Taxonomy and SFDR (Regulation on Sustainability Disclosures in the Financial Services Sector) suite are already progressively coming into effect, and will be fully phased in within three years. This impending revolution in financial reporting requires a number of arrangements for supervisory boards, ranging from upgrading the competencies of board members to establishing appropriate committees on boards and expanding the work of existing committees.

The survey results show just how much we still have to do to prepare board members for the challenges of the climate transition. However, it is gratifying to see that the process of building climate leadership has already begun in many boards, that it has its leaders and is gaining momentum.

We invite you not only to read the report and reflect on the survey results, but also to actively engage in efforts supporting the climate transformation of your company and the entire market.

A foreword from the Chairwoman of the Council of Chapter Zero Poland

Lucyna Stańczak – Wuczyńska
Chairwoman of the Council of Chapter Zero Poland, Chairwoman of the Supervisory Board

The issue of global warming and its impact on the environment is a growing part of the strategic priorities of companies and investors at BNP Paribas Bank. The expected temperature rise of over 1.5 degrees Celsius compared to the pre-industrial era is already a fact. Scenarios of further temperature rises, the so-called hot house scenario (according to the NGFS, "Network for Greening the Financial System"), call for immediate action to save us and future generations from climate disaster. According to the hot house scenario, if the temperature rises above 2.5 degrees Celsius, the level of seas and oceans may rise by up to 60 meters, i.e., this century, part of the continents may end up under water.

As a follow-up to the Paris Agreement of 2016 and the UN Sustainable Development Goals (SDGs) adopted a year earlier, there has been an accelerated energy transition in the last few years in terms of boosting renewable energy potential, reducing CO_2, saving energy and heat consumption, but also preserving raw materials, promoting a low-carbon and closed-loop economy, biodiversity, economic growth based on efficiency and new technologies, changing consumer attitudes and social attitudes, especially of the younger generation.

This transformation finds its reflection in the European Green Deal

adopted by the European Council in 2020, followed by the EU's Fit for 55 legislative package. Russia's invasion of Ukraine has spurred this process, and in particular the work on independence from Russian fossil fuels, greater investment in energy conservation, support for hydrogen technologies. All this is inscribed in the new EU package: REPowerEU, now coming into force.

Climate targets and the drive toward net climate neutrality by 2050 are slowly becoming an inherent part of corporate strategy. Last year, the number of listed companies worldwide declaring net zero-carbon targets quadrupled. Investors have growing expectations of reducing the carbon footprint of the companies in which they invest. Regulatory requirements to disclose and incorporate climate and transformation risks into business models are gaining ground.

Global warming topics are still a relatively new area and, indeed, evolving all the time. These are often new realms for all of us, requiring education, proper risk assessment for CO2 cost forecasts, assessment of stranded assets, legal risks, potential damage, etc. On the other hand, these are also opportunities to boost competitiveness by using new technologies and innovations in production processes, reducing carbon footprint, implementing energy-saving and electromobility solutions, changing materials and suppliers. Such actions will bring new investors and, above all, new customers in the long term. Awareness is growing, so there will be negative shopping selection, but also employment selection. Young people are searching ever more for purpose, mission and commitment in their work.

Climate change is becoming an integral part of doing business, so company managements and boards of directors must address it as thoroughly as they would any other issue. This is also an important part of building company value, where good governance should be inseparably tied to effective climate risk addressing.

The role of supervisory board members is therefore much greater in this respect than we might imagine. Supporting the strategic decisions

of the board and taking a long-term view are crucial. Unfortunately, often the appropriate competencies in the area of climate are lacking, and this is not specific to Poland. It is therefore vital to support supervisory board members in acquiring the necessary know-how and competence so that climate issues are discussed at supervisory board meetings, both in terms of reporting, risk assessment, strategy and managerial payroll. There is also a need for appropriate training and knowledge sharing.

Chapter Zero Poland (the local branch of the Climate Governance Initiative established by the World Economic Forum), proudly chaired by myself, is committed to supporting supervisory boards in these areas. It promotes knowledge sharing and empowerment in the area of ESG. Today, Chapter Zero operates in 30 countries around the world and already has 100,000 members. The board members are certainly a group who find climate issues pivotal, so I encourage you to join the programme.

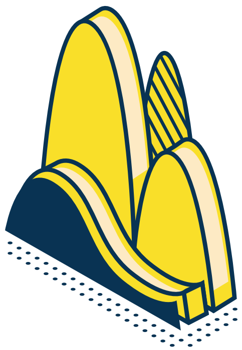
Executive summary

I Climate change awareness

Members of supervisory boards report that they have a good understanding of climate change issues, mainly thanks to the Internet. Simultaneously, as the answers to other questions show, it appears that the external information does not translate directly into climate action in individual organizations.

According to the respondents, the issues that should be addressed as part of educational topics should be:

- reporting climate issues in annual and non-financial reports;
- business strategies for dealing with and adapting to climate change;
- monitoring and measuring the environmental impact of actions taken.



II Risks and opportunities associated with climate change

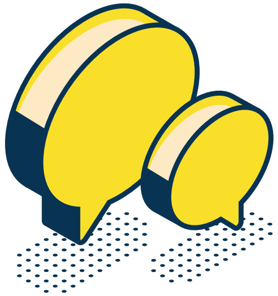
More than half (57%) of the survey participants perceive climate change business risks for their company. Nearly half see disruption to the supply chain and risks associated with securing financing as the largest, five-year horizons.

Respondents also see opportunities related to climate action. These are transition to more efficient green energy sources and access to new sources of funding.

III Organizational structures

Supervisory authorities do not have committees responsible for climate issues (73% of answers).

A similar situation is observed in management boards, where only 1/3 of companies have an officer for climate issues and sustainable development on their board.



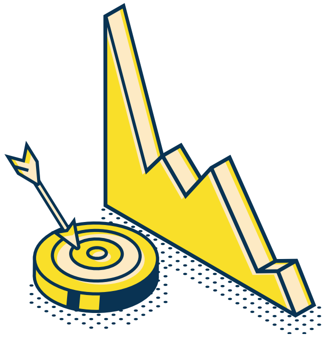
IV Climate change as an issue for supervisory boards

Climate change as a regular issue at board meetings appears in only 20% of organizations. In another 27%, the issue has been addressed once.

68% of respondents do not have access to climate-related information in their organization.

61% admitted that the current competencies of their boards with regard to corporate climate action are too small.

For 39% of respondents, climate indicators are less important than financial indicators, and for 36%, climate indicators are as important as financial indicators. There is therefore a wide divergence of opinion in this regard, since almost as many people consider climate indicators less important than financial indicators as hold the opposite view.



VI Climate protection business measures and needs

Areas that should be improved as a priority in order to better respond to the challenges of climate change are: improvement of the process of climate risk and opportunity management, and raising the awareness and competence of the executive board and management in the area of climate change.

The environmental efforts already taken by businesses include reporting on climate issues in annual and non-financial reports, identification of climate risks, monitoring and measurement of the environmental impact of actions taken, measurement of greenhouse gas emissions, including CO2.

In-depth results

In-depth results

Until recently, climate change was considered one of many environmental challenges. Businesses did not fully grasp the importance and urgency of this challenge, so climate issues were not usually on the strategic to-do list. However, the collected climate data, including reports published by the Intergovernmental Panel on Climate Change (IPCC), leave no doubt that climate change issues must become a priority that calls for immediate business decisions. Business is already called upon to take urgent action to cut greenhouse gas emissions and plan long-term strategies. For every organization, this will entail new investments, setting climate performance indicators and emissions reduction targets, as well as the pace and means of reaching them. Preparing and being ready to disclose own emissions and report on achievements related to emissions reductions presents an extra challenge. In response to identified climate risks and as they seek competitive advantages in the opportunities emerging in sustainable business, companies will design climate scenarios that provide opportunities to adapt to the needs and expectations of the external environment along with improving the governance layer.

Alongside management bodies, supervisory boards will have an important role to play in guiding companies on the path of strategic transformation toward a zero-carbon economy.

As part of corporate governance, supervisory bodies should not only have the necessary knowledge, but also the power and authority to support management boards in their efforts to drive business toward zero carbon. Personal commitment to climate action can also bring great positive impacts to the entire organization. Climate leadership on supervisory bodies is an opportunity to establish a strong market position and make a smoother transition through any challenges that may emerge on the journey to carbon neutrality.

Supervisory board representatives can direct management’s attention to climate issues and assess its performance, and they can inspire and identify opportunities to leverage new sources of funding from investors looking for specific climate outcomes.

The survey we present was designed to show a map of risks and opportunities, chances and threats from the current situation of supervisory bodies in terms of climate change. Supervisory boards are an important but difficult stakeholder group with a voice that is not yet sufficiently heard in the climate change discussion. The responsibilities of management and supervisory structures will evolve in response to prevailing circumstances and legislation. It is therefore cardinal to hear the perspectives of this group of stakeholders. The survey is designed to be illustrative and its results may be used to further design solutions and to find out where supervisory bodies should be at in the transition to zero-carbon, and what they need to do good job.

I. Awareness of climate change issues

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People who sit on supervisory boards declare awareness of climate change issues. For 62%, the issue is very well or fairly well familiar. However, as many as 32% of the survey respondents admitted that their understanding of climate change is quite general, and 7% have no knowledge of the issue.

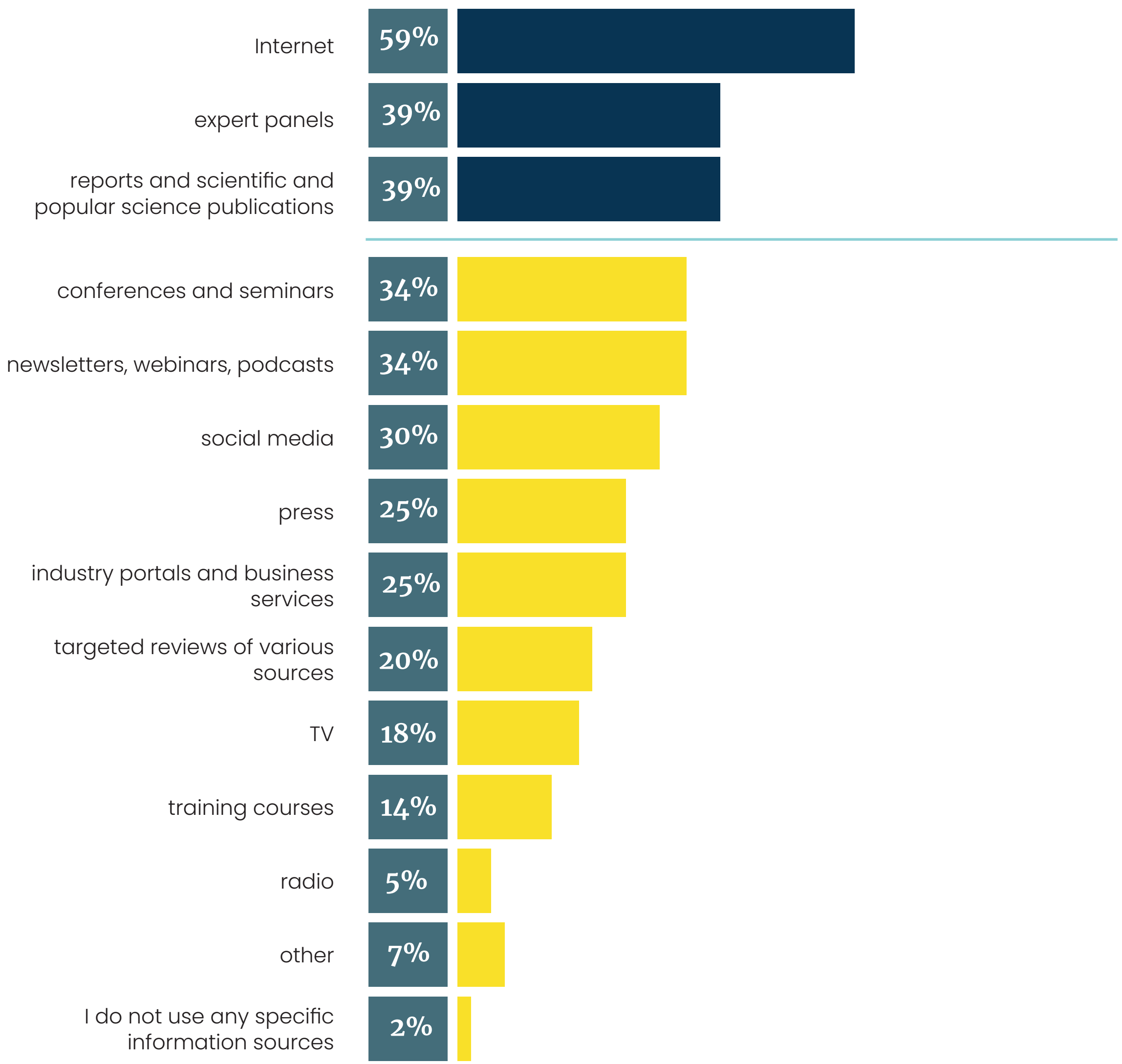
Increasing the knowledge of corporate governance members on climate change emerges as a key issue, in view of the need for stepped-up climate action by companies across sectors, including the drafting of climate strategies, targets that are relevant to changing regulatory requirements and to the capacity and needs of the company. Furthermore, the targets and pace of corporate emissions reductions should fit within the specific challenges of individual industries. Understanding of climate change issues, including sector specifics, will allow for more efficacious actions and more accuracy in estimating climate risks.

The still insufficient level of knowledge and competence about the phenomenon of climate change was also pointed out during the in-depth interviews. The interviewees addressed the need to improve the competencies of people sitting on supervisory boards. Currently only some of the supervisory board members have an advanced level of understanding in terms of climate change. Their awareness of the issues is improving, in particular over the last two years, but their competence is not so good, as one of the interviewees noted.

This may translate into the presence or absence of the issue in the meetings of supervisory bodies. According to one of the persons, the competences of supervisory boards are just emerging, so there is a need to take further training actions. Different levels of competence are also apparent in listed and non-listed companies. The latter group will need extra work to build up their skills. New regulations will certainly call for further expertise, all the more so as they are very dynamic. In this respect, audit committee members will also be required to improve their competence. It is important that supervisory board representatives know where to find information, how to interpret and use it. A good solution, as outlined by someone, would be regular training - both internal and external - in terms of regulations and requirements, as is already the case in some organizations.

Respondents use public sources of information, such as the Internet. They also consult reports and publications and attend expert sessions to learn about climate.

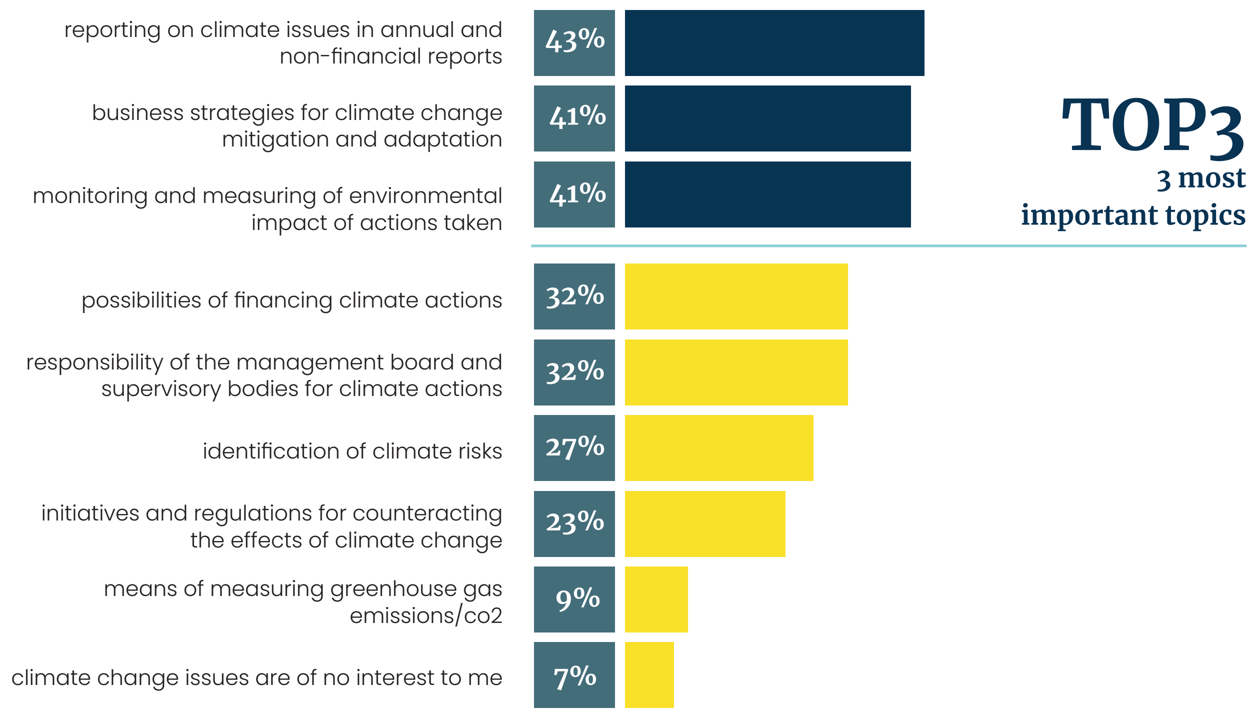
Sources of knowledge on climate change



Question: *Where do you learn about climate change from? Please indicate the 5 sources of information that you find most important*

Supervisory body representatives indicated issues related to climate change projects that should be addressed through educational activities. As the survey results show, there is a great need for competency growth in terms of reporting on climate issues. Skills in designing climate strategies to address and adapt to climate change and skills related to the ability to monitor and measure the environmental impact of corporate actions also require boosting.

Most important issues



Question: *In your opinion as member of the Supervisory Board, which of the following issues should receive the most attention in your educational activity over the coming years?*

Expert commentary

Polish business faces a huge challenge related to sustainable development, in particular in terms of reporting the impact of business operations on environmental issues. Many entities are completely unprepared for climate neutrality activity. As for such, there is one fundamental question: Can business take structural, managerial and, more importantly, at-first costly, corrective actions for the benefit of climate? We fail to see that the world is on the edge of economic destabilization - closely linked to climate catastrophe. Unless we make a rapid shift toward climate neutrality, the dire consequences of this phenomenon will be impossible to contain. For this reason, great responsibility rests on the members of supervisory boards who are in charge of strategic decisions in this respect. Please note that Polish business is facing a key challenge - the new guidelines of the European Commission concerning non-financial reporting on ESG issues. It will become a duty to reliably disclose information on, for example, CO_2 emissions throughout the value chain, or the impact of climate risks on the business model. So far, few businesses have included such parameters in their reports. Inability to measure ESG data, unreliable reporting of such data, or even worse, lack of reporting, may simply put any company out of the B2B chain, even if it has been running with quite success so far. In view of it, supervisory board members may consider asking themselves, today, whether they are ready to face these challenges.

Piotr Wachowiak, PhD

Professor, Rector of Warsaw School of Economics

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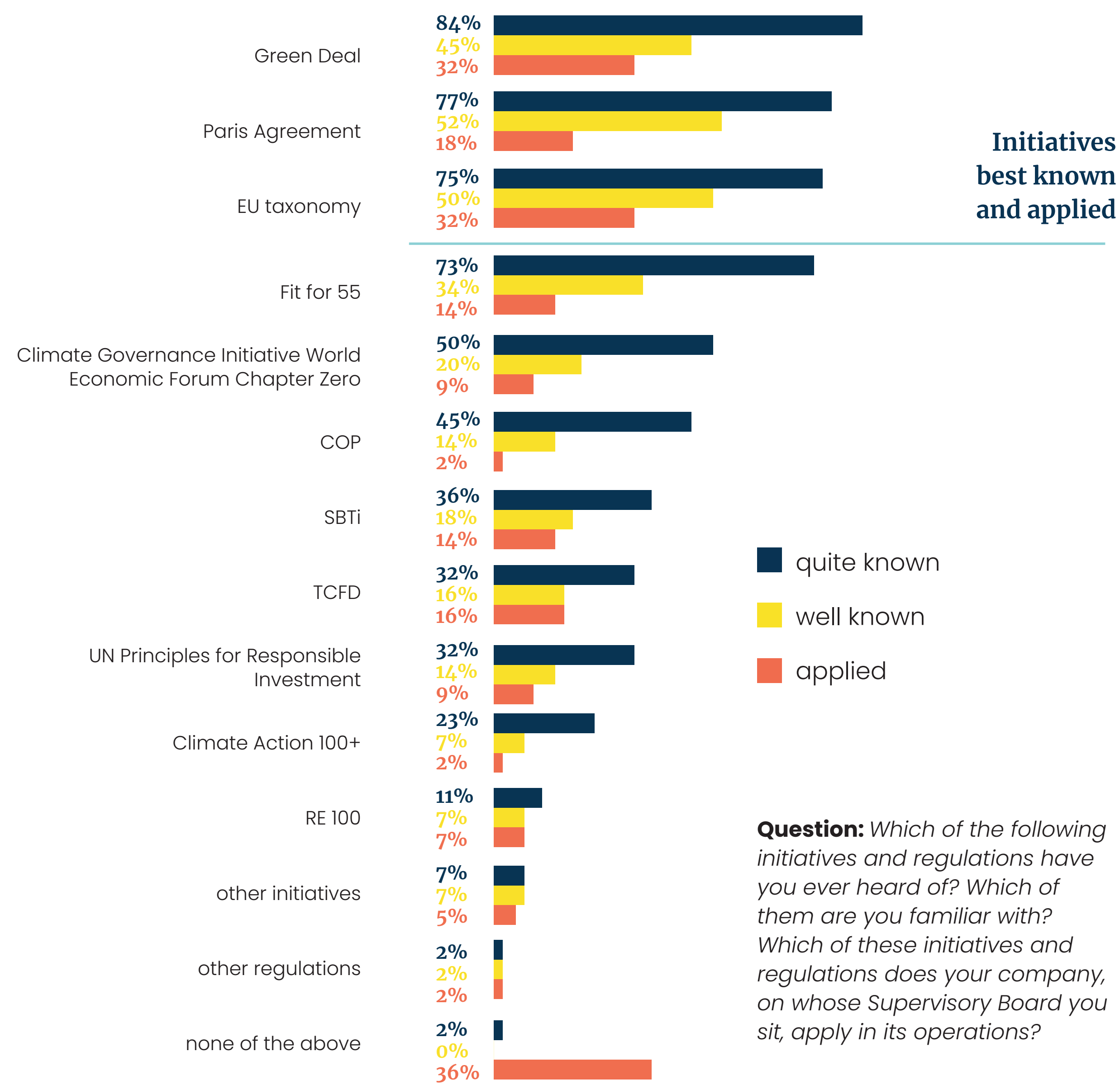
The Directors' Climate Forum

Climate literacy comes with an awareness of diverse initiatives and regulations to support businesses in their pro-climate efforts. While business-critical solutions such as the Green Deal, the Paris Agreement, the EU Taxonomy, and the Fit for 55 package are well established, their embedding in companies has only just begun. Part of this is due to relatively new issues that are in the process of polishing by the very founders. A second reason may be the low priority that business gives to climate issues.

Initiatives and regulations known and applied at work



Question: *Which of the following initiatives and regulations have you ever heard of? Which of them are you familiar with? Which of these initiatives and regulations does your company, on whose Supervisory Board you sit, apply in its operations?*

Expert commentary

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Due to the European Green Deal, the changing regulatory environment is driving changes that are having a direct impact on the way companies, including SMEs, operate, and any company wishing to remain competitive on the Polish or European market will have to navigate through such changes and look for new solutions to meet them.

The challenges to be faced by businesses will be, for example, calculation of the company's carbon footprint, creation of a decarbonization strategy (both of the product and of the entire value chain), analysis of investment plans, and diversification of energy sources (focusing on RESs). Potential staffing changes are also a very relevant aspect, relating primarily to the opening of new positions, i.e. carbon footprint expert or transition expert, but also upskilling or reskilling of existing employees.

All these processes require new competences and knowledge, both on the part of companies and on the part of consumers. This, in turn, requires cooperation and involvement of many stakeholders; from the sector of education, through higher education, to a largescale sector of development services, the latter should prepare a range of courses and advisory services in this respect for the SME sector. Of course, non-governmental organizations should also play an important role, as they constitute an expert background for widely understood educational activities, both for companies and for consumers. More informed customers will also exert influence on companies and strengthen adaptation processes.

Maciej Witucki
President, Lewiatan Confederation

II. Climate change in the activity of supervisory boards

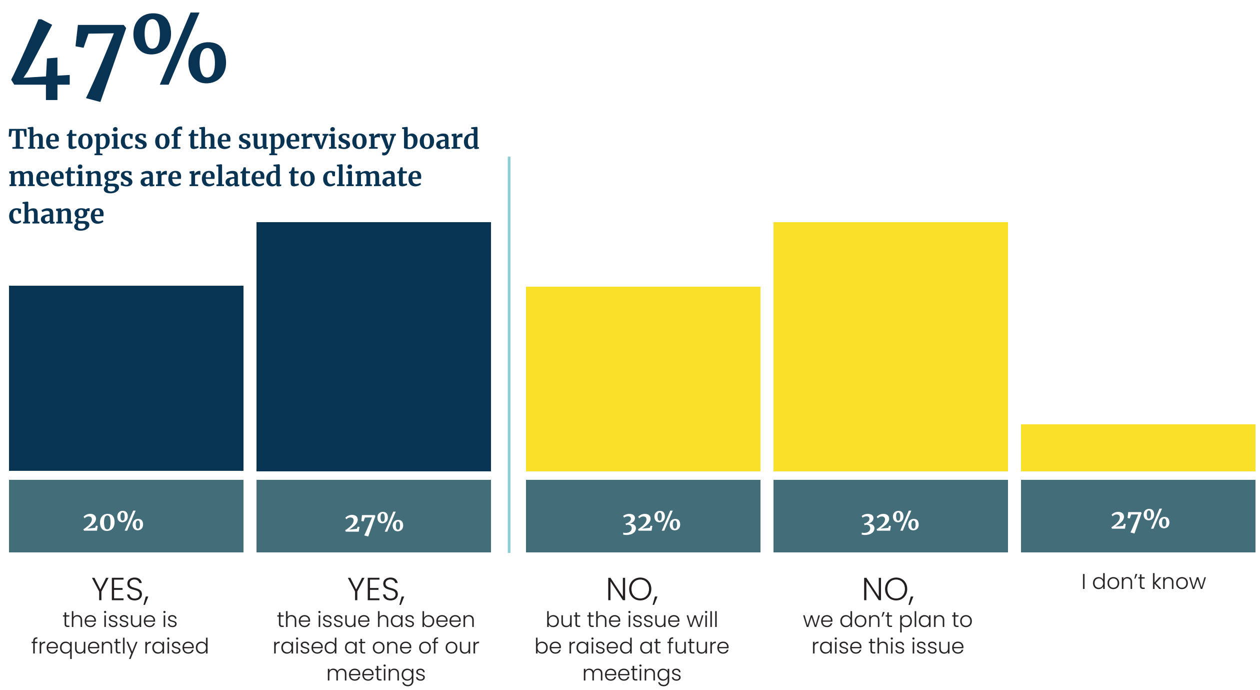
Only 13 of the surveyed organizations have a person in charge of climate issues. This role is usually taken on by the CEO (6 organizations); in other cases, the responsible positions were very scattered. The persons in charge of climate issues held the positions of chief financial officer, risk team leader, sustainability team leader, director of R&D and quality, or management board member.

So far, the issue of climate change is not broadly discussed at the supervisory board level; 73% of the surveyed organizations do not have a committee responsible for climate issues, and only 11% of the companies plan to establish such a committee. Only 2 companies have a committee that deals with the surveyed issues.

The lack of dedicated committees may affect the importance that supervisory bodies give to climate issues.

Only 20% of the respondents admitted that climate-related issues are raised regularly during supervisory board meetings; 27% stated the issue has been raised once, and 20% responded they are scheduled for discussion during future meetings.

Climate change as a topic for supervisory board meetings



Question: *Is the issue of climate change a topic of the meetings of the supervisory boards of your institution?*

In addition to the competence of the entire board, the individual willingness to make a difference and incorporate the topic into the general discussion is just as important. Interviewees pointed to their personal commitment, by virtue of which it was possible to place the company's efforts to reduce climate change on the agenda and to include this issue as a permanent item for discussion during supervisory board meetings. In organizations with a greater sense of awareness of the need for change among board representatives, climate-related discussions are held with greater depth. This translates into more engagement on strategies to move toward climate neutrality, and allows for collaborative discussions on governance structures.

Although climate transition issues are not yet commonly discussed by supervisory bodies, it is already evident that some of the issues being discussed by boards are nevertheless related to the area in question, although not in all of the organizations surveyed (34% of respondents said that none of the issues were within their decision-making reach). There seems to be a major challenge in understanding the role that board members have to play in managing change in companies on their path to climate neutrality.

Climate change matters in the hands of the supervisory board

Oversight of effectiveness in implementing strategy related to climate change mitigation and adaptation	30%
Risk management - effectiveness of processes to identify and assess climate-related risks	25%
Corporate reporting and disclosure - e.g. TCFD disclosures	23%
Reflecting the impact of climate-related risks in financial statements, including in relation to judgments and estimates of valuation and goodwill impairment	20%
Oversight of the external auditor's approach to identifying and responding to climate change financial statement risks	18%
None of the above	34%

Question: *Which of the above climate-related matters are currently the responsibility of the Supervisory Board on which you sit? Please select all that apply*

Lack of structures and clear division of responsibilities or low awareness of the issues were named among further factors that may impede climate action, in parallel to lack of interest on the part of some investors. This is an influential player for setting the conditions of the market game. Restrictions on the activity of supervisory boards are due to the corporate model. Lack of interest on the part of entities, which, through the capital, have a strong voice in the discussion about the directions of the company's growth, may cause that apart from the obligatory law-regulated actions, the organizations will have no additional incentive to set ambitious climate plans. Shareholders may be another group to engage in talks about the necessary business changes.

Expert commentary

It does not come as a surprise to me that there are few board members with advanced competencies in this area - this is generally a market problem. A plethora of companies are looking for professionals in this area as there are still so few of them. Fortunately, there are many educational initiatives to help make up for this deficit sooner rather than later. Once companies employ experts, they will surely adapt their structures and operations.

Regulations, for example, will force these changes. First, the requirements for the suitability of bank board members - a criterion of understanding of, for example, ESG risks, including climate risks, has recently been added. Second, reporting requirements; the obligation to report non-financial data will soon be rolled out to a wider group of businesses. This is not only a matter of disclosure, but also of reputation. The company should show its best side by showing the environmental standards applied throughout the value chain, thus influencing its suppliers and business partners. Obligations of financial institutions to report on ESGs are also relevant, but so is the policy of such companies - it will certainly at least raise the climate awareness of their clients, and, I hope, also affect the real actions taken by them in this respect. These are examples of the soft impact of the law on the attitudes of market participants. The requirements of the proposed directive on corporate sustainability due diligence, which imposes explicit requirements on members of supervisory boards, will be a bigger issue.

prof. Monika Marcinkowska

University of Lodz, Human of Corporate Governance 2021

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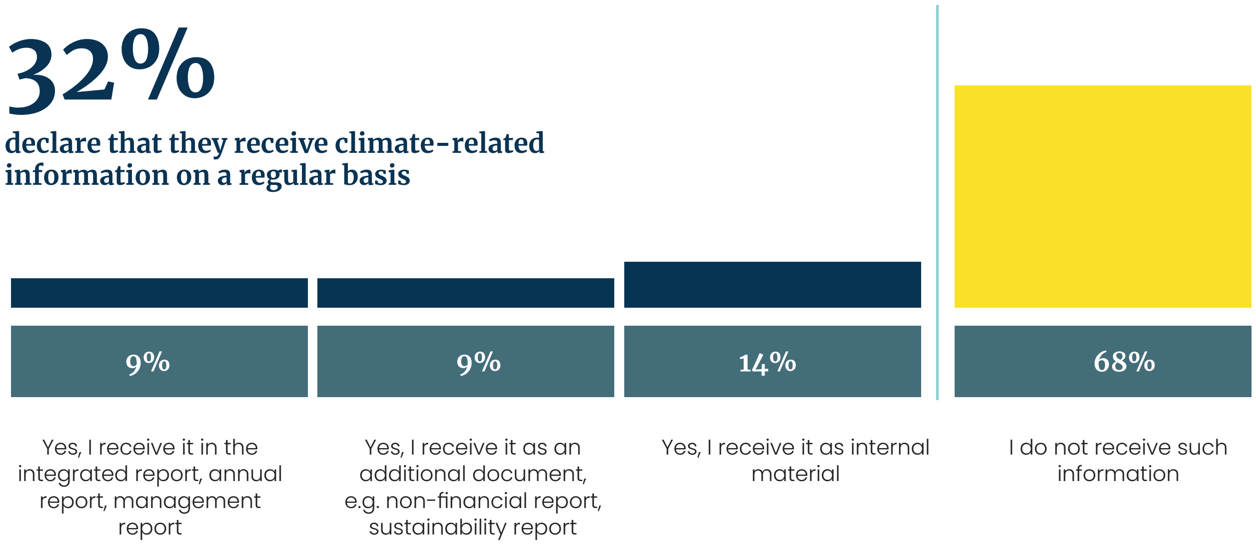
Supervisory board representatives do not receive climate-related information (68% of indications). Only 32% of respondents are regularly informed about climate issues, both through internal information and annual reports, as well as additional documents such as non-financial reports.

Information on climate for Supervisory Boards



Question: *Do you regularly receive information on climate-related data from the company on whose Supervisory Board you sit?*

Expert commentary

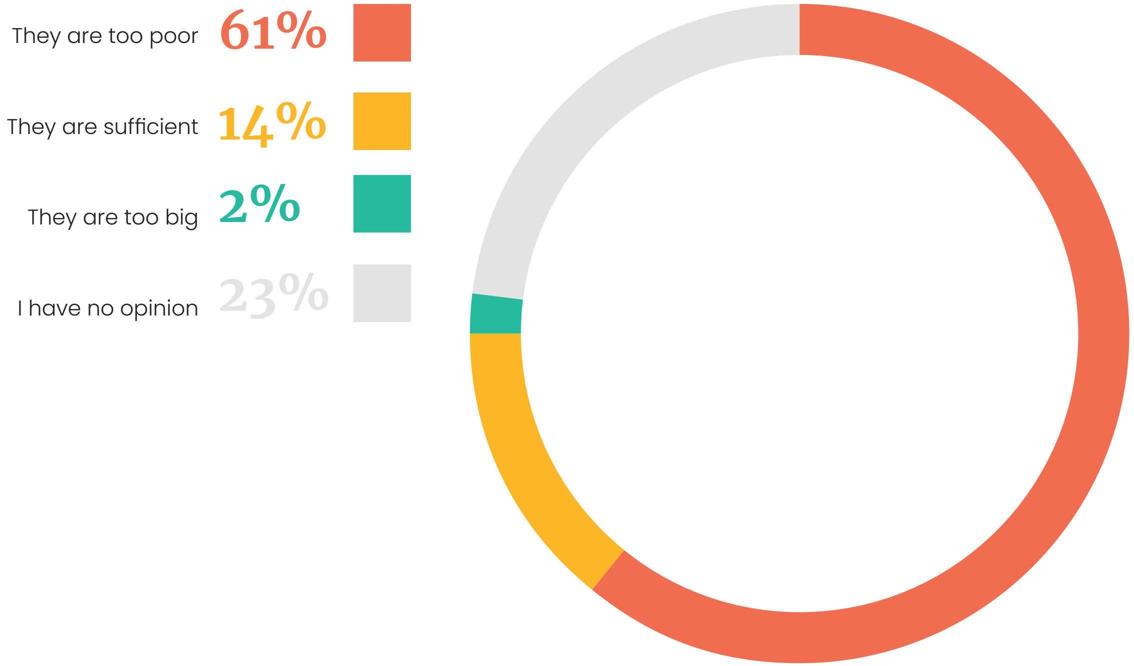
There is no doubt that supervisory boards have a big role to play in supporting management boards in their strategic decisions to meet climate goals and to integrate organization-wide efforts. However, it is vital to recognize that quite a few of the climate change risks are still, in many cases, undiscovered and unacknowledged. Board members should be aware and understand how climate change impacts the organization they supervise not only today, but also continuously inquire about new risks and challenges in this regard in the long run, too. Climate change should become a regular topic of the board's dialogue with the management and all stakeholders of the company. For this reason, we should first pay attention to the scope of disclosures and monitoring in this sphere, following the principle that effective supervision and guidance requires relevant information. Moreover, there is also a need to consider if the incentive models for managers should include indicators related to the fulfillment of climate goals or if the already existing ones are well adjusted to the set climate goals. It is therefore worth ensuring that the right resources and competencies are in place to meet these challenges. It is also advisable to see to it that the issues are always present on the agenda of the board, but also of board committees, including audit, risk and payroll committees, and perhaps a special committee on ESG.

Prof. Dorota Dobija, PhD
Koźmiński University, Member of the Supervisory Board of ING Bank Śląski and Chairwoman of the Risk Committee

Chapter Zero Poland
The Directors' Climate Forum

Evaluation of Supervisory Boards' competencies

The majority of survey respondents felt that the board's competencies for corporate action on climate change are too poor.



Question: *How do you rate the current competencies of Supervisory Boards with regard to corporate climate protection efforts?*

Expert commentary

Supervisory boards are responsible for supervising company operations in all aspects, including actions to address climate change issues. However, the right tools are required for this supervision to be truly effective. Already today, best practices of companies listed on the WSE promote the emergence of ESG strategies dealing in particular with climate issues. Such a strategy should be approved by the board. The proposed changes to non-financial reporting impose an obligation to have sustainability reports reviewed by authorized entities.

Similarly as for financial reports, it appears that the board should also express its opinion. The supervisory board has an important authority to appoint members of the management board and determine the manner of their remuneration. It is reasonable to include climate objectives in incentive systems, conventionally based on financial criteria. Competence is not only power, but also expertise in and understanding of climate issues, in particular within corporate authorities. Apart from raising awareness on climate change in this group, it seems necessary to identify people with understanding of and experience in the field of climate both in the management board and in the supervisory board. In my opinion, introduction of the said tools as "hard" legal obligations would significantly increase the supervisory board's possibilities to influence the corporate climate actions.

Ewa Radkowska-Świętoń
President of the Association of
Independent Non-Executive Directors

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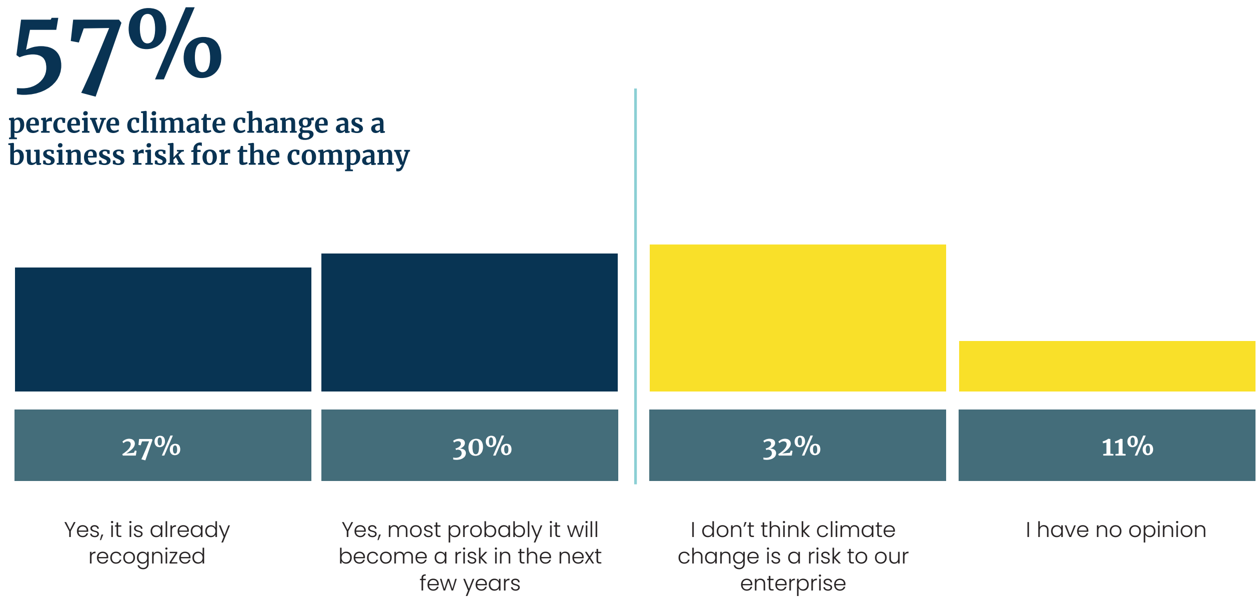
III. Business needs and expectations and climate change

Board representatives recognize the business risks associated with climate change. However, this group still includes some who do not see climate as translating into risk.

Climate change as a business risk



Question: *Do you perceive climate change as a business risk for the company on whose Supervisory Board you sit?*

Expert commentary

Corporate climate transformation is now becoming a personal challenge for many global company leaders. I think that this very personal commitment to climate leadership by both management and supervisory board members of companies can make a significant difference in reaching the climate goals of the Paris Agreement. A climate transformation strategy helps businesses not only measure and reduce greenhouse gas emissions, but mitigate potential climate-related risks, to include new customer, counterparty, regulator, and financial institution expectations. Management of such a major and difficult change requires internal collaboration and drawing on the insight and experience of others. An independent third-party review of the company's decarbonization goals and actions provided by institutions such as the SBTi mobilizes, reduces the risk of error, and helps keeping actions consistent.

Deloitte is very serious about reducing the environmental impact of its business. Climate transformation is our strategic project. We have set specific goals and produced an action plan in line with the recommendations of the UN initiative, Science Based Targets. We are aware that only the mobilization of the corporate leaders, employees, suppliers and customers we work with will make it possible to accomplish them.

Tomasz Konik
CEO of Deloitte Polska

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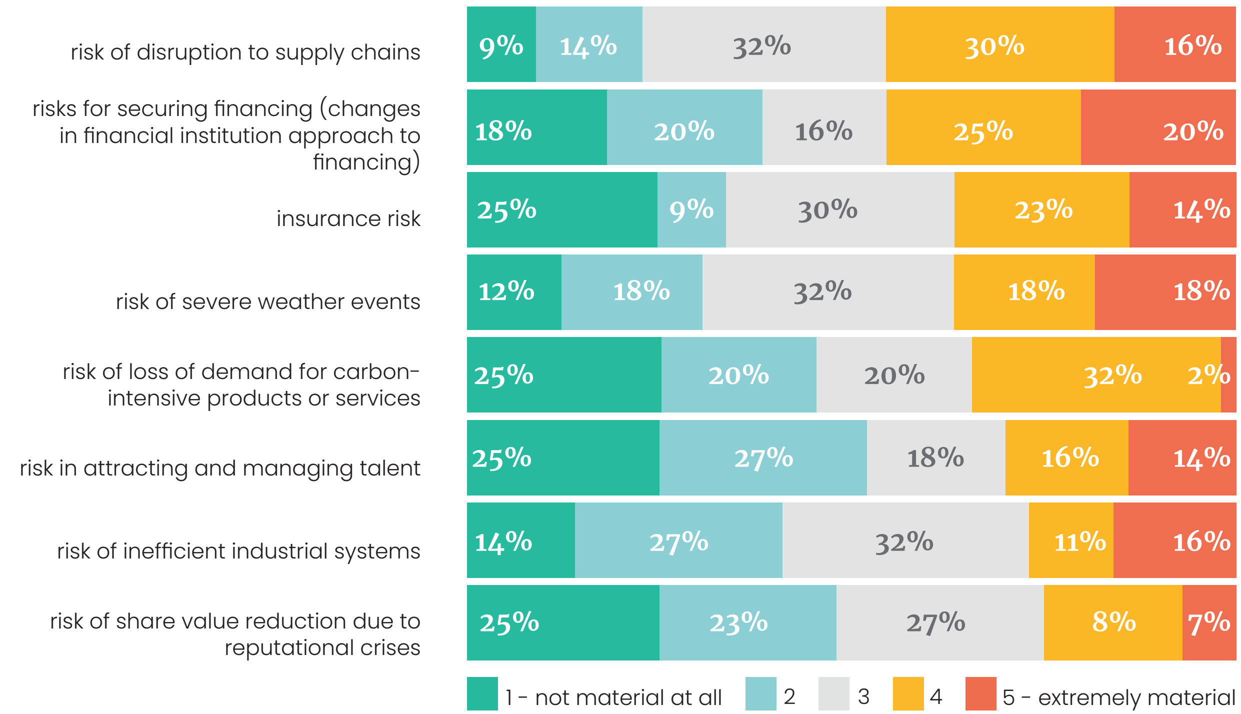
The Directors' Climate Forum

Respondents were asked which climate-related risks they thought were particularly important to business. The risks of supply chain disruption and financial risks related to securing financing were ranked first. Surprisingly, 48% consider unimportant the risk of a decline in shareholder value associated with a climate-related reputational crisis. The survey respondents are not concerned about declining demand for carbon-intensive products and services (45%) and do not see challenges in the area of human resources.

Such a high percentage of board members underestimating the risks associated with carbon-intensive products reflects gaps in the information they receive. Indeed, many recent consumer behavior surveys reveal growing buyer demands for companies, brands and products and an expectation that they be green. Due to the growing experience of unforeseen natural phenomena linked to climate change, the very consumers are already making certain modifications to their purchasing models.

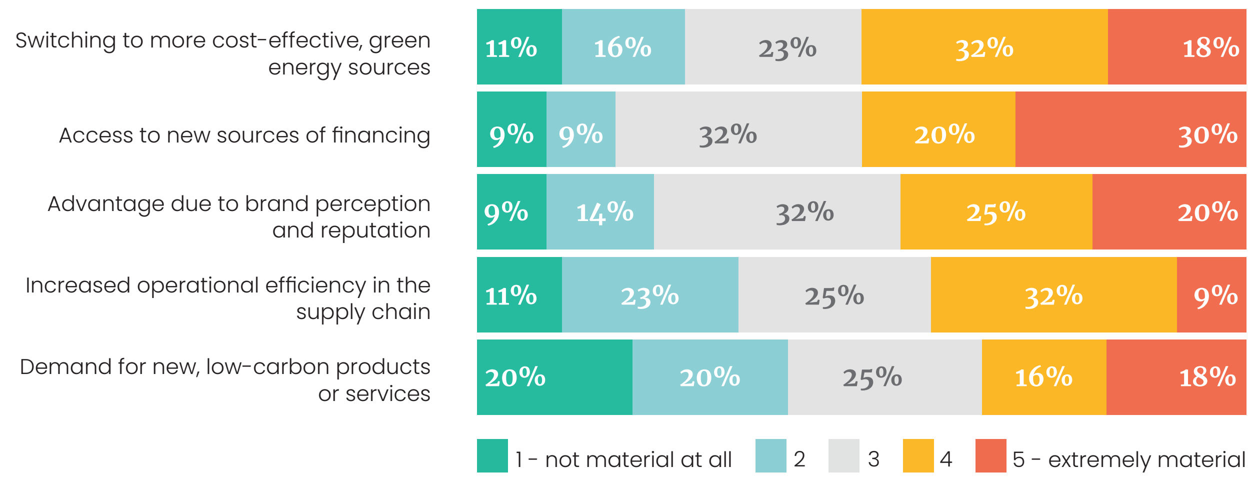
Impacts of climate change in a 5-year perspective



Question: *How material are the following climate change risks to your company over the next 5 years? Please use the scale below.*

The financial dimension has also been identified as a business opportunity. This includes benefitting from opportunities to switch to more cost-effective energy sources, as well as accessing new sources of financing.

Profit from pro-environmental actions



Question: *Over the next 5 years, how important will the following climate action opportunities be for your company?*

Expert commentary

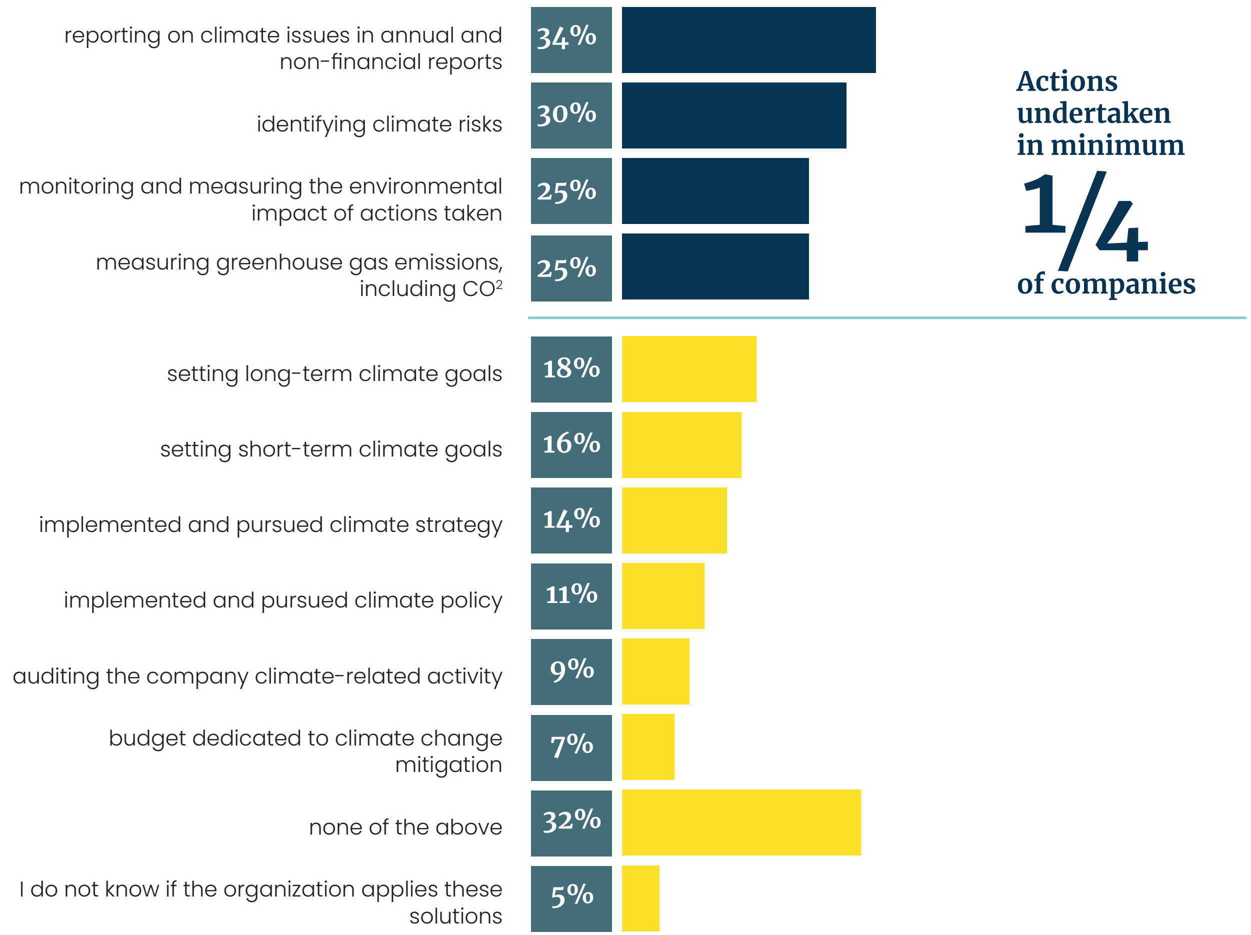
Climate change and the resulting negative social and economic effects have sparked many financial sector reactions. Institutional investors are seeking to build investment portfolios that incorporate the principles of responsible investment. They expect companies to actively implement ESG policies, both in terms of risk management and value creation. Companies that do not meet the ever more strict environmental protection standards, e.g. high-emission companies, already have little chance of attracting capital. In this respect, financial aspects can be regarded as a risk factor for companies. However, increasing the potential for sustainable finance offers a great opportunity for companies, new sources of financing and greater resilience to market turbulence caused by climate challenges.

Barbara Nowakowska
Managing Director of the Polish Private Equity and Venture Capital Association (PSIK)

Chapter Zero Poland
The Directors' Climate Forum

Already now, some companies are taking actions to counteract and adapt to climate change. Their results are disclosed in annual and non-financial reports. To prepare for future challenges, companies identify climate risks, but this is still not a common practice as is the monitoring and measurement of environmental impacts or the measurement of greenhouse gases. The chart below shows that companies in Poland are only just getting ready to actively join the effort to stop the climate disaster. Significantly, one third of the respondents admitted that none of the indicated options is put into practice.

Actions underway

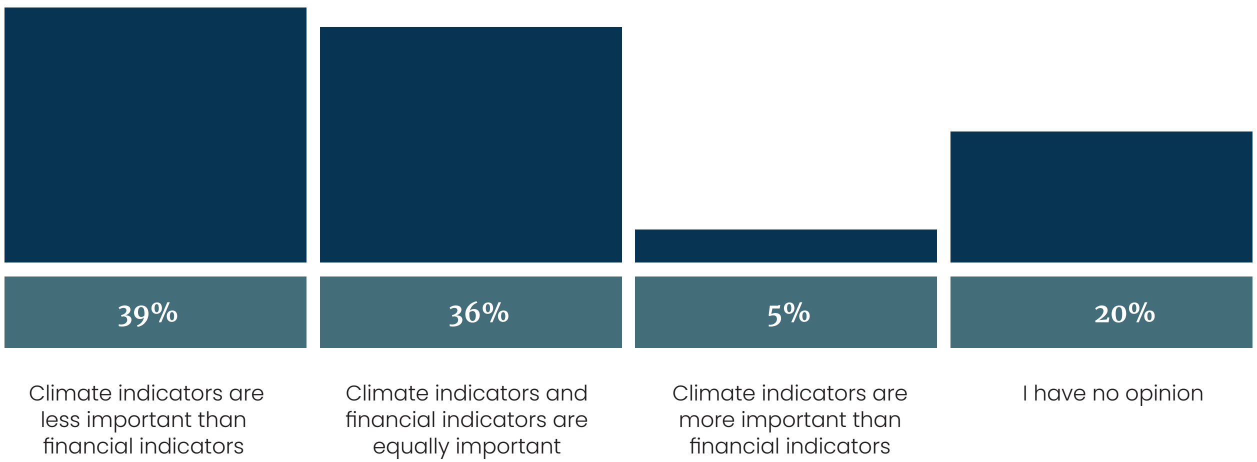


Question: *Which of the following actions are underway at the company on whose Supervisory Board you sit? Please indicate all that are being implemented.*

Metrics and reporting come to the forefront of climate governance discussions, and they are impossible without setting clear goals for reducing greenhouse gas emissions. Targets translate into all business areas, including the goals of management and staff involved. Climate issues are beginning to take on a strategic importance, driven, for example, by legal requirements. Respondents admitted that clear directions are already being set in their organizations in relation to reducing greenhouse gas emissions and work is underway to implement specific solutions to streamline the monitoring of progress in these areas, such as TCFD or SBTI. New positions are being opened (e.g. chief sustainability officer) and opportunities to develop new green products are being explored.

Board representatives are not united on the importance of climate indicators in relation to financial indicators. Voices on this issue are mixed. Some respondents give priority to financial indicators (39%). Conversely, the same importance of climate indicators as financial indicators was indicated by 36% of respondents. At this stage, supervisory boards are not yet prioritizing climate indicators.

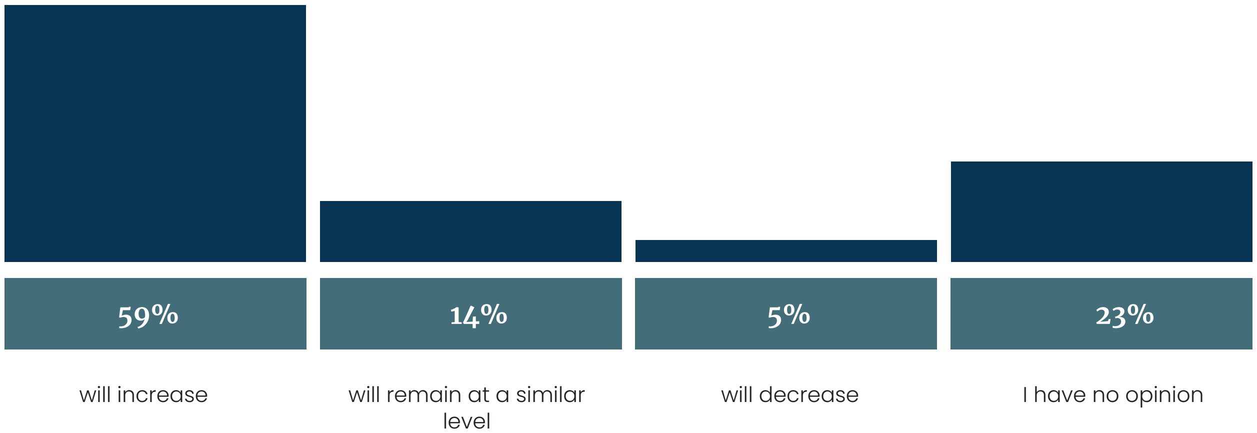
Reporting on climate indicators



Question: *How do you rate the importance of corporate reporting of climate indicators relative to financial indicators?*

The majority of respondents believe that corporate financial investment in climate change prevention will only increase. There is a growing awareness of the need to channel funds directly to climate-related causes.

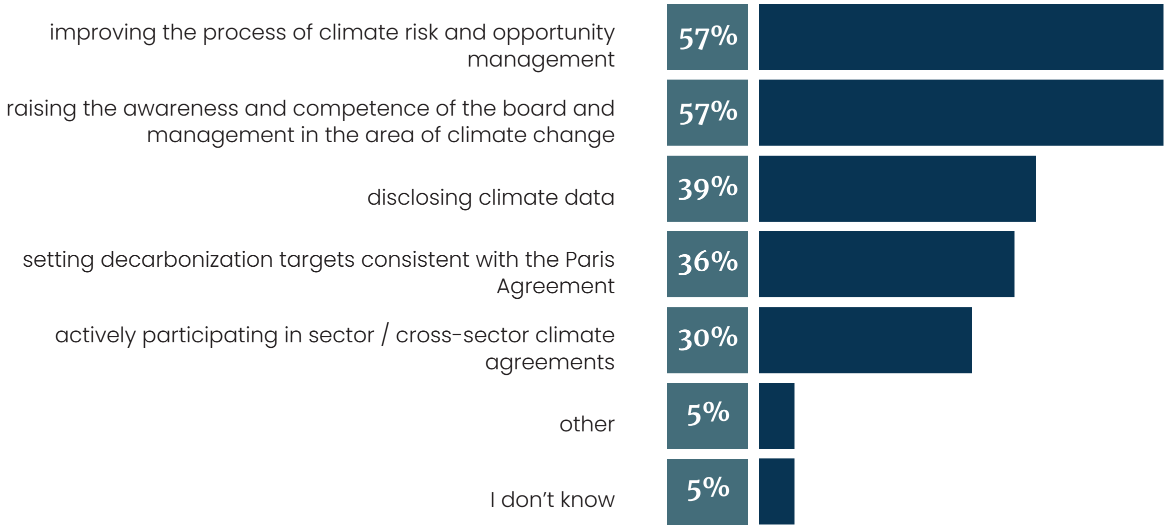
Financial investments of enterprises as part of climate change prevention



Question: *In your opinion, the financial investment of enterprises in the area of climate change prevention in your industry by 2030:*

Areas for development

Risk (57%) and disclosure (39%) were identified as priority threads for companies to address in order to better respond to climate change challenges. Respondents also indicated the need to raise board and management awareness and competence in the area of climate change, supporting the competence gap to be closed.



Question: *What areas of governance do you, member of the Supervisory Board, believe need to be developed as a priority in order to better respond to the challenges of climate change?*

Expert commentary

Climate leadership is a specific ecosystem of relationships between key partners who can build a common capacity based on the internal structures of their teams, thus accommodating the full complexity of the organizations behind them. Such an ecosystem can only be successful if all partners are aware of the situation and the opportunities for change, ready to make difficult decisions and move in a direction that refers to shared values.

Climate leadership must then rely on good collaboration between a group of leaders from multiple levels, ranging from the global level (UN), through leadership in business, community and public organizations, to leaders in the local community. The ability to listen to what the world really needs, to set the internal hierarchy of values so that it responds to diverse needs, leading not only to mitigating negative impacts but also collectively increasing positive impacts on the planet and society, is what matters most. This is a chance for a better tomorrow, in fact, for tomorrow to happen at all.

Maria Andrzejewska
Director General, UNEP/GRID-Warsaw Centre

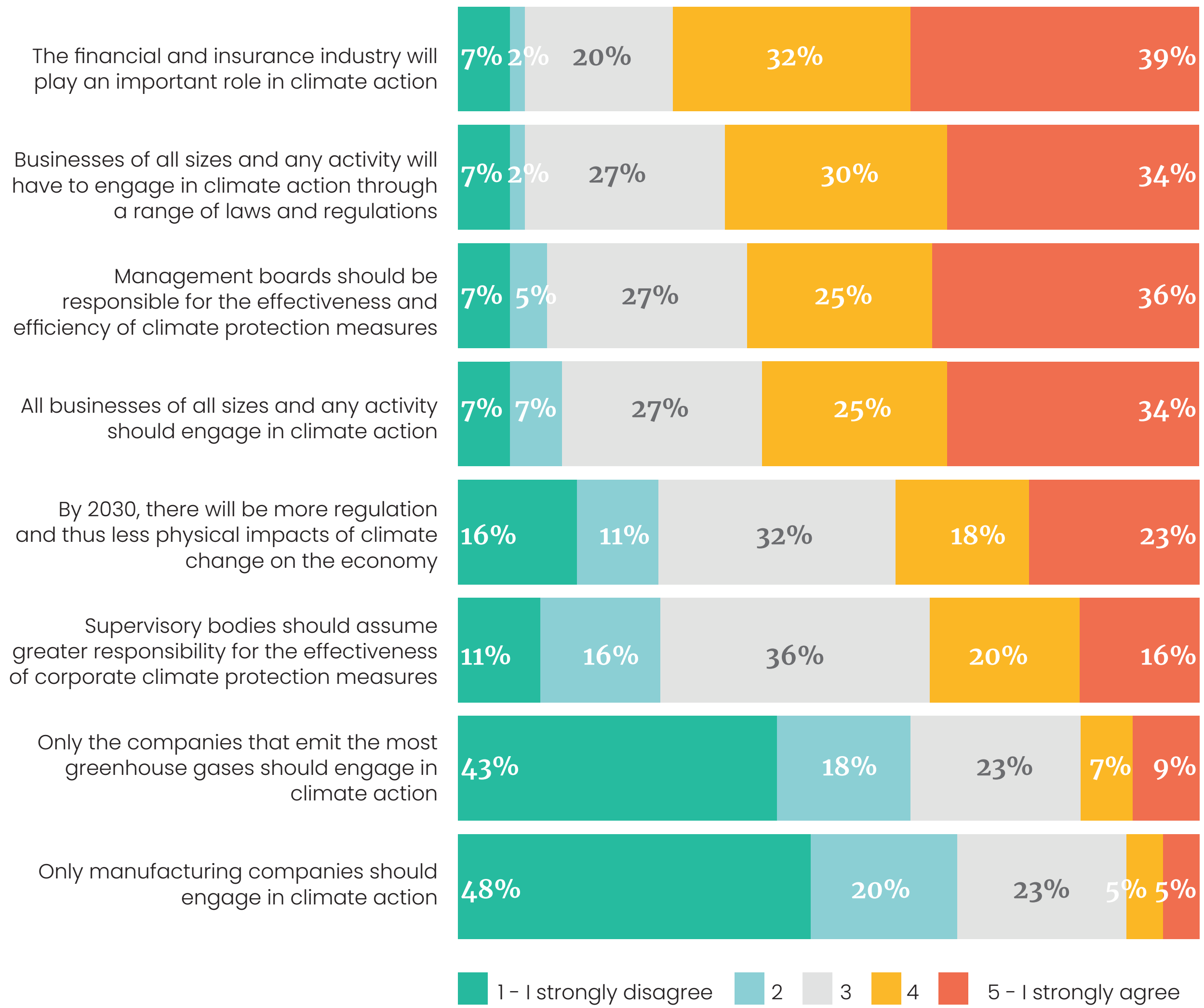
Chapter Zero Poland
The Directors' Climate Forum

Survey results have shown that supervisory bodies identify the financial and insurance industries as the ones that will significantly influence climate change-wise market behavior. It is already evident that each business organization will have a role to play in moving toward climate neutrality, due to both the laws and regulations that will govern different areas of business, as well as market pressures to take on specific activity.

Management bodies are seen as the governance structure actors that will be responsible for implementing and supervising work related to climate governance.

The accountability of management boards was pointed out by one of the participants in the qualitative part of the survey. If the management board is committed to climate action, it should be included in the strategy and presented to the supervisory board and shareholders as a course of action. Notably, the supervisory board could be invited to co-create the strategy. The statement reveals the need for cooperative prioritization and goal setting for climate issues.

Corporate actions in the climate change perspective



Question: *How much do you agree with the following statements?*

Expert commentary

The awareness of how important climate issues are is growing year by year among Polish entrepreneurs - so the lack of dedicated positions does not imply that Polish companies ignore the climate protection challenges. According to the report, about 60% of respondents believe that all companies, regardless of their size, should engage in pro-environmental actions.

Some companies - the largest ones - have dedicated ESG officers. Already today, environmental issues ought to be seen as part of environmental, social and corporate governance policies. They are also closely related to employee education and incentives for employees so that they become climate responsibility ambassadors. The management must decide on actions in this respect and is ultimately responsible for the environmental policy.

In conclusion, it is a good idea to open a special position dedicated to ESG policy - of course, we are talking about organizations that can afford it. The so-called silos effect may jeopardize the effectiveness of projects in progress: one person is responsible for employee education, another for environmental issues, and yet another for contact with employees. For this reason, it is wise to plan and follow a comprehensive ESG policy, which is now a European and global trend.

Rafał Baniak
President of the Management Board of Employers of the Republic of Poland

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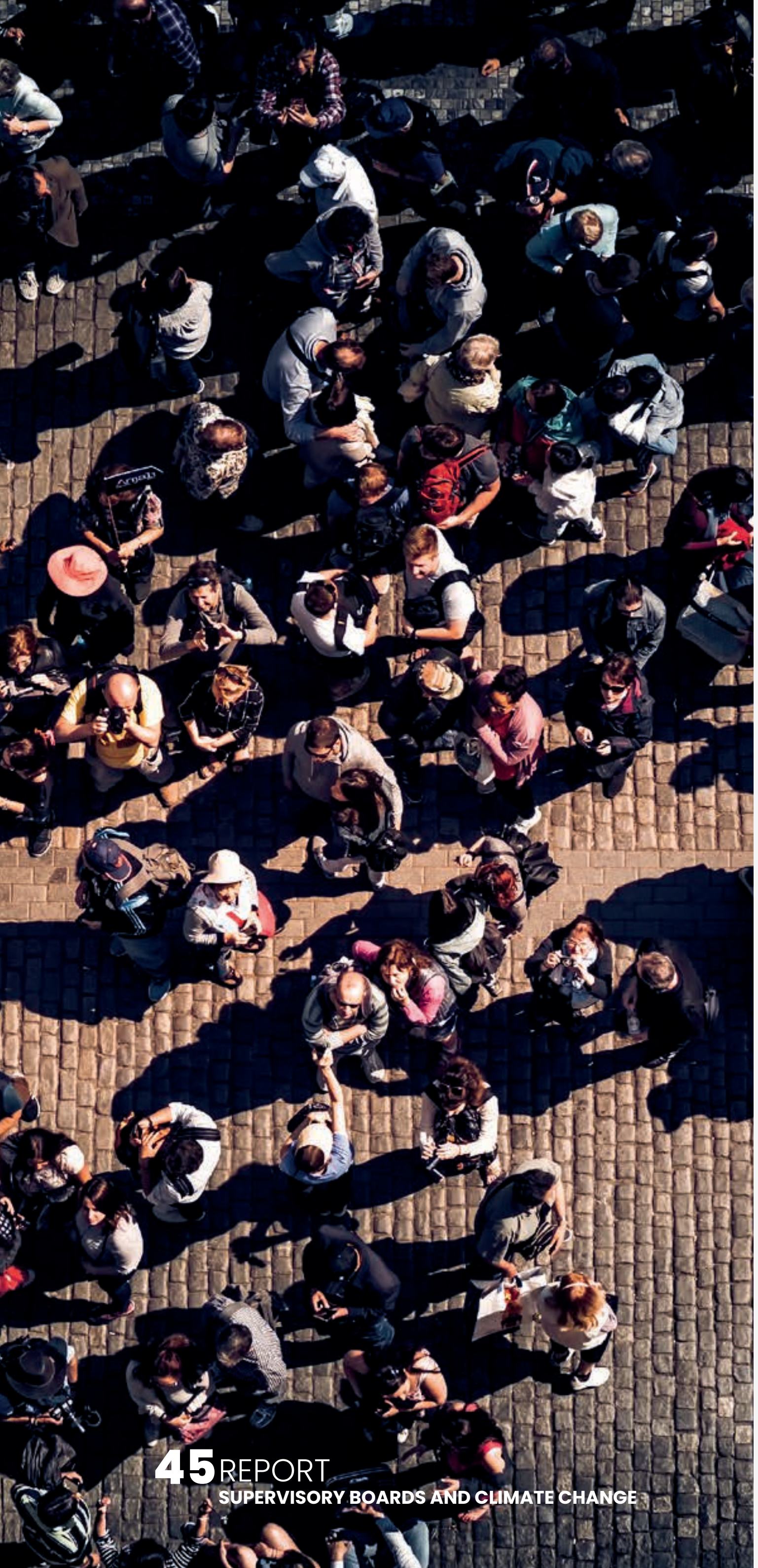
The Directors' Climate Forum



About the survey

Survey addressees

The survey targeted supervisory board representatives working for companies operating in Poland. Direct invitations to participate in the survey were addressed to members of Chapter Zero Poland.

Purpose of the survey

The purpose of the survey was to identify the level of awareness of climate change issues on the part of supervisory board representatives. The survey asked about their knowledge of the issue, the role of supervisory boards in pro-climate actions and the corporate needs and expectations in this respect.

Method

The survey was conducted with the CAWI method.

Sample size

Forty-four (44) people took part in the quantitative survey. Furthermore, 4 in-depth standardized interviews were held.

The survey was conducted between 20 January and 17 March 2022.

The survey is for illustrative purposes.

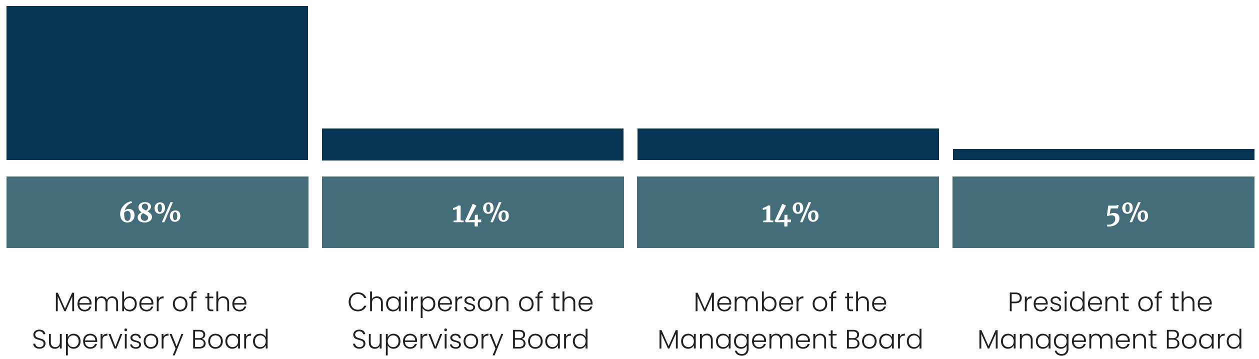
Most of the respondents sit on the supervisory board of one organization; 68% of respondents are board members; 14% are board chairpersons; 14% are board members; and 5% are also board chairpersons in other organizations.

Survey respondents most often work on audit and compensation & strategy committees. The supervisory board representatives have different experience in their functions. Half have more than 6 years of experience on supervisory boards, including over 34% with more than 10 years of experience. Those with less than one year of experience represented 20% of the sample.

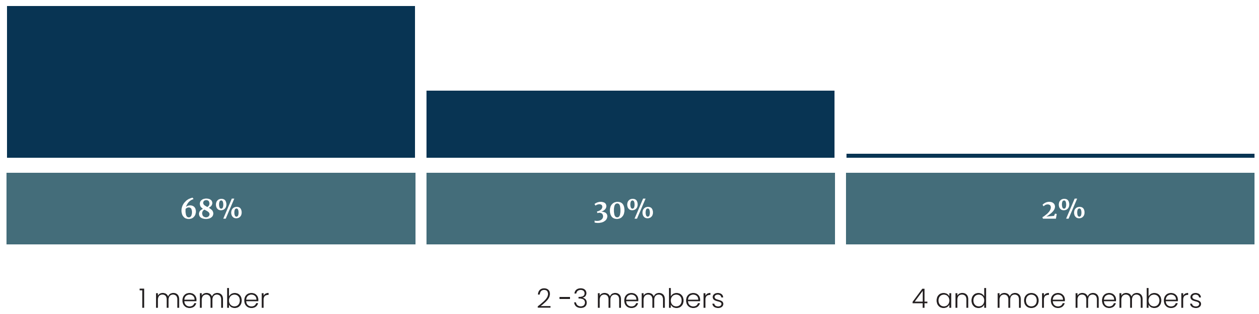
Sample profile

The survey included 44 participants. For convenience of data interpretation, results are presented with % values.

Supervisory board position



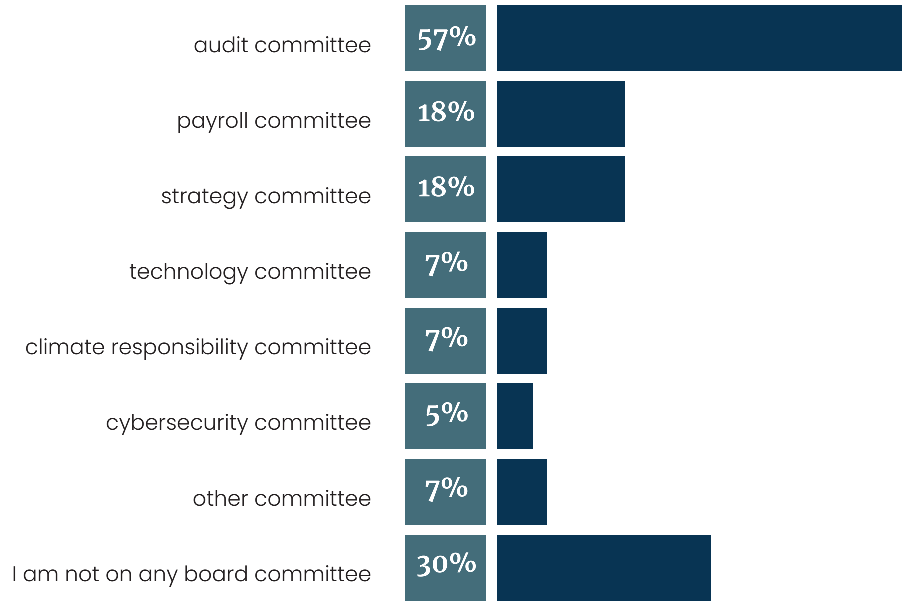
Number of supervisory boards with



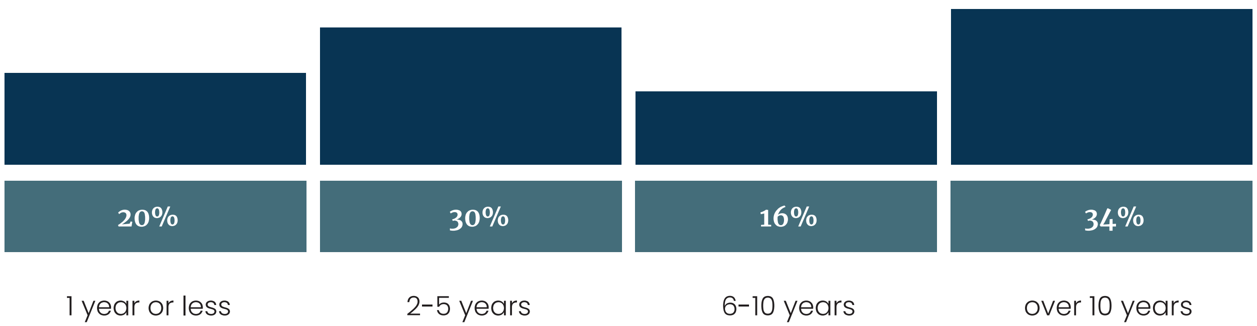
The sample was mostly populated by persons representing companies with Polish capital and companies with mixed, predominantly Polish, capital.

Respondents represented organizations of various sizes, with a predominance of large companies operating in highly diversified sectors of the economy.

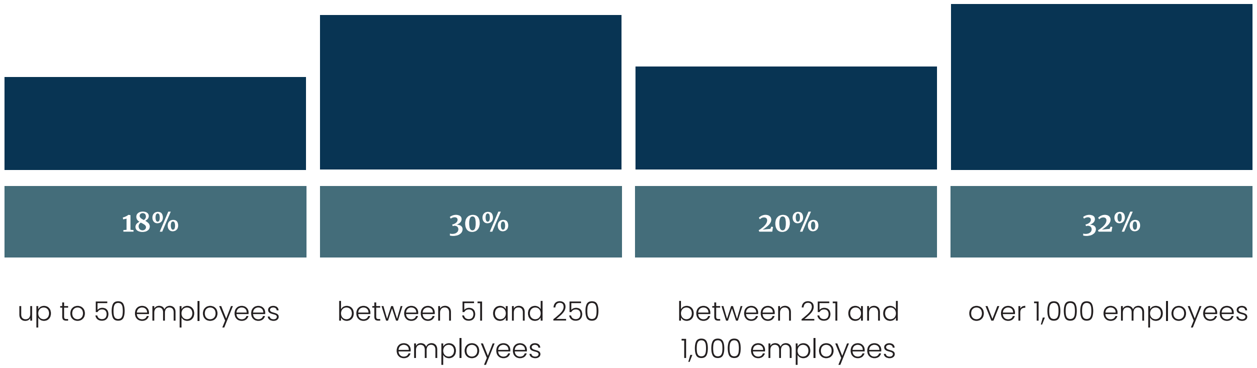
Supervisory board committees



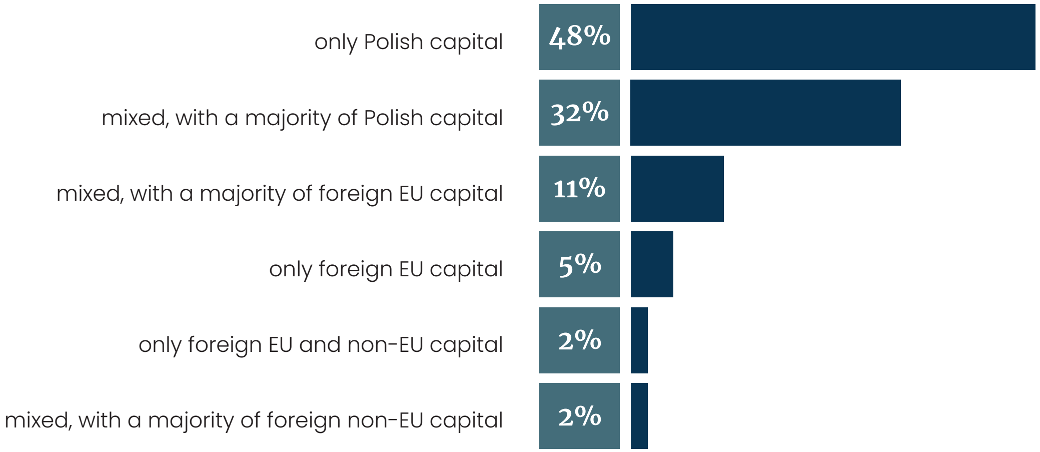
Time spent on the supervisory board



Number of employees

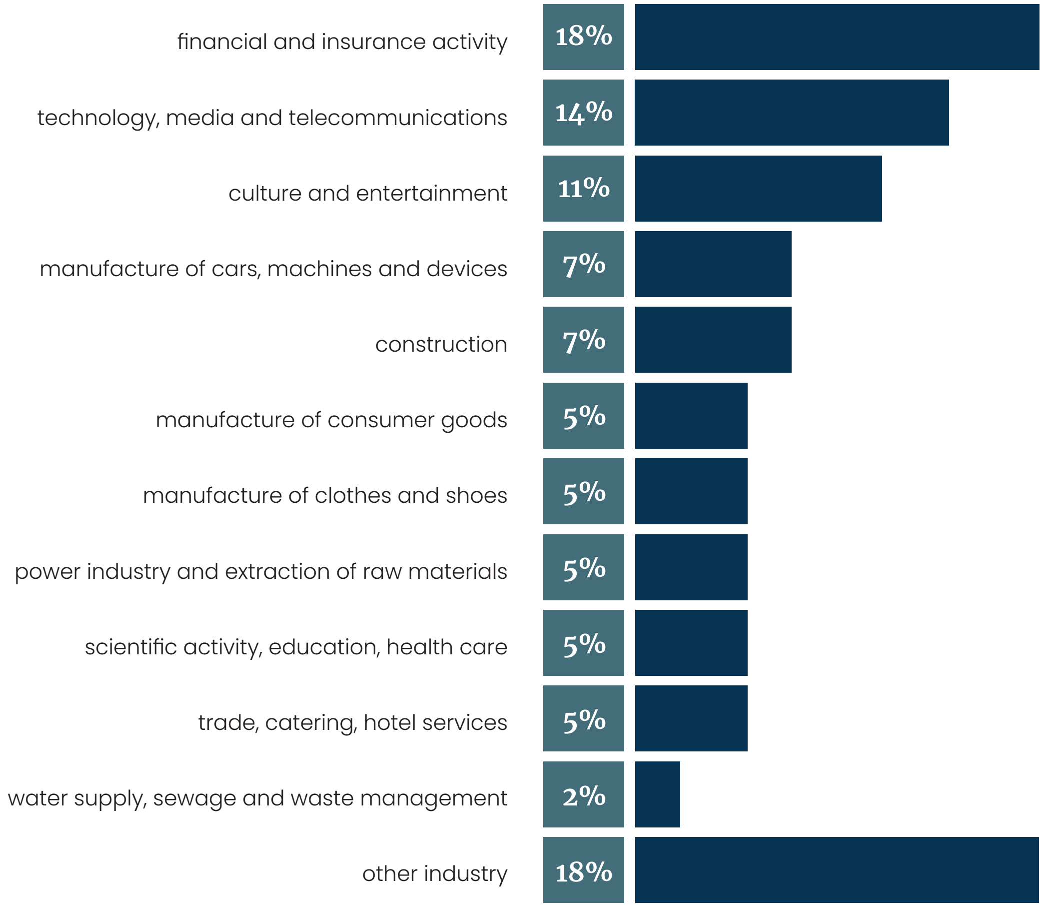


Capital structure



Listed on the stock exchange

Industry of corporate operations



About Chapter Zero Poland

The "Supervisory Boards and Climate Change" survey is the first nationwide survey launched under the Chapter Zero Poland programme supported by the Deloitte Foundation.

Chapter Zero Poland is an initiative run in cooperation with the World Economic Forum, bringing together members of supervisory boards and CEOs of major companies. Membership and personal commitment on the part of corporate managers and supervisors are of key and indispensable importance.

The purpose of the Polish edition of the Climate Governance initiative is to raise awareness of the consequences of climate change for companies and the impact of business on climate. Based on international cooperation, the programme is to provide knowledge, tools and a platform for exchanging experience between members of supervisory and management boards and the expert community dealing with climate change in Poland and around the world. Learn more about the initiative at chapterzero.pl

The actions of Chapter Zero Poland include:

- the tools and ideas essential to meet the challenges of addressing the impacts of climate change and government policies on low and zero carbon (such as financing, risk analysis, reporting, supply chain, etc.);
- essential and in-depth expertise provided through training courses, workshops, seminars, readings, videos, self-assessment tools;
- a platform for meaningful discussions and reflections on the challenges for today's business in terms of climate change and government and EU climate policy.

The

"Supervisory Boards and Climate Change"

survey was conducted under the Chapter Zero Poland programme by the Responsible Business Forum, in cooperation with the Deloitte Foundation.

RESPONSIBLE BUSINESS FORUM

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GRID WARSZAWA In partnership with UN Environment Programme

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