Venture
Climate Alliance

Board Climate Conversation Guide

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Context

What is this guide?

This guide was created to help board members discuss material climate topics with portfolio companies to achieve Stage 1 “Board Strategy” of the VCA Portfolio Alignment Framework. “Climate” does not need to be a standalone item on the board meeting agenda; rather, the consideration of climate factors can be woven into the relevant strategic and operational discussions as appropriate.

Who should use this guide?

Board members of VC-backed companies can use this guide to raise material climate questions with management teams as part of regular operational and strategic discussions. Portfolio companies may use this guide to understand material climate factors and prepare for board conversations.

Conversation Guide

Company Criteria		Climate Topics						
Sector Type	**Consideration**	Physical Risk	Transition Risk	Scope 1-2 Emissions	Scope 3 Emissions	Product Sustainability	Regulation	Governance
All	Geographic Expansion	X					X	
	Sales & Marketing		X	X	X	X		
	Late Stage & IPO						X	X
Asset-Heavy	Prototype & Design		X		X	X		
	Facility & Siting	X		X			X	
	Supply Chain & Procurement	X			X		X	
Asset-Light	Data Center Selection	X			X			
	Service Development		X			X		

When and how should you use this?
Ahead of each board meeting, identify the operational consideration(s) on the agenda and review the associated climate topics, marked with an X. To guide the discussion, there is an explanation and set of questions for the relevant climate topics for each consideration.

Considerations for All Companies

All companies, whether asset heavy or asset light, may contemplate the following considerations in the normal course of business.

Geographic Expansion

Geographic expansion includes establishing, relocating or expanding business operations (including headquarters, offices, other facilities) to or acquiring significant customers in new countries or regions.

Physical Risk

If moving into the new country or region will mean a physical location (specifically an owned physical location or significant capital assets), you should understand the acute and chronic physical risks that could impact your local operation.

- Have you evaluated physical climate risks that could impact the new operations?
- Are there risk mitigation or prevention strategies that you can put in place?

Regulation

When moving into a new country or region, you should understand current and future climate transition risks relevant to that region. Specifically, familiarize yourself with regional emissions regulations or carbon tax schemes that could impose costs to your business.

- Are there current or future climate-related regulations or taxes that apply to the company as a result of the expansion?

Sales & Marketing

Sales & marketing is inclusive of your go-to-market strategy, customer acquisition, sales process, branding, and marketing communications.

Scope 1, 2 & 3 Emissions

Many blue chip customers have their own climate goals and emissions reduction targets that flow down to suppliers' emissions (the customer's scope 3 emissions). Such customers may expect or require emissions reporting and, in some instances, decarbonization plans.

- Do any of your current or target customers have emissions reduction goals?
- Have you ever been asked for emissions data?

Product Sustainability

Customers and consumers are increasingly making purchasing decisions based on sustainability. If your product has a relevant climate impact, it may be worth building into your marketing and sales strategy.

- Do your products or services have a positive climate impact (e.g., emissions reductions for your customers)? Is this part of the value proposition/customers' purchasing decisions?
- If so, how can you build that into your sales process or marketing messages? Do you see benefits or risks?
- If you are already marketing or intend to market on these claims, do you have data to back up your claims?

Transition Risk

As we transition to a low carbon economy, certain emissions intensive sectors may decline (e.g., oil and gas) and lower emissions alternatives (e.g., electric vehicles) may grow. It's important to understand how your customer base and go to market strategy could be positively or negatively impacted as market dynamics change as a result of the transition.

- How will your customers and end markets be impacted by the transition to a lower carbon economy?
- Are you selling into an end market that will experience secular decline?
- Do you need to reconsider any aspects of your go to market strategy?

Late Stage/IPO

Late stage/IPO covers companies that have mature operations and are marked by stable, slow growth, and/or actively contemplating going public through an IPO process or a PE/strategic sale.

Regulation

In the last few years, many jurisdictions have passed climate-related disclosure regulations, including the SEC climate-related disclosure rules for publicly-listed companies in the US, the California Climate Corporate Data Accountability Act, and the EU's Corporate Sustainability Reporting Directive (CSRD). Some apply to publicly listed companies in that jurisdiction, others apply to later stage private companies doing business in the jurisdiction. As a company becomes a more mature business, it should understand the climate related regulations to which it is subject and work towards compliance.

- Have you evaluated which climate-related rules and regulations apply (or will apply) to your business? How are you preparing?

Governance

Separate from regulations, publicly listed companies face more stringent climate expectations, including from large investors, and ESG ratings agencies. IPO preparations should incorporate climate governance and disclosure readiness.

- How are you preparing for the heightened market expectations of climate programs and disclosures that you will face as a public company?
- Have you established formal governance and accountability for climate?

Considerations for Asset-Heavy Companies

Asset-heavy companies cover business with any significant physical footprint, whether through production of a physical product, a portfolio of real assets, or a vehicle fleet. Sectors may include but are not limited to hardware, retail, robotics, distribution.

Prototype & Design

Prototype and design includes product design, materials selection, and prototyping.

Scope 3 Emissions

As you design a product, you should consider the emissions intensity of the products and materials used. Less emissions intensive products may receive a price premium (and conversely, more emissions intensive design will lock in growing scope 3 emissions as the company grows).

- Have you evaluated the emissions intensity of your prototype or materials?
- Are there ways to reduce the emissions intensity in a cost efficient way?

Product Sustainability

Intentionally or not, your product may have positive or negative impacts on global emissions. Reducing negative impacts could reduce your risk, and optimizing positive impacts could attract customers or command a price premium.

- Have you considered how your product could positively or negatively impact emissions?
- Does this product compete with less sustainable offerings? Could it be positioned as a low-carbon alternative?
- How can you mitigate negative impacts and/or maximize positive impacts?

Transition Risk

As we transition to a low carbon economy, the demand for certain lower emissions components and materials could drive a price premium and/or product scarcity. Alternatively, emissions intensive components could be favored less by your customers. It's important to understand how your prototype and design, including materials and components, could impact your costs or demand/revenue as market dynamics change as a result of the transition.

- Have you evaluated how your material inputs and components could be impacted by the transition to a low carbon economy?
- Will demand for these components increase or decrease and how will that impact your cost structure.

Facility & Siting

Facility and siting covers selecting a location, leasing or buying a specific facility, and initial capex to improve the facility and assets. Types of facilities include production, logistics, warehousing, retail, but excludes office space (office space is generally less emitting and emissions reductions less in the company's control).

Physical Risk

When selecting a location or facility, you should understand acute and chronic physical risks that could impact your assets, production capabilities, insurance costs, etc.

Have you considered physical climate risks that could impact the facility or location?

Are transportation routes between the facility and purchasers at risk of disruption by extreme weather?

Are there risk mitigation or prevention strategies that you can put in place? Are there ways to harden your assets or infrastructure?

Regulation

When selecting a location or facility, you should understand current and future climate transition risks relevant to that site. Specifically, understand emissions regulations or carbon tax schemes that could impose costs to your business.

- Are there current or future climate-related regulations or taxes that will impact the facility?

Scope 1 & 2

When selecting a facility, you should understand the emissions profile and ability to reduce emissions.

- Do you understand the emissions profile of the facility and how it will impact the company's overall emissions?
- Have you considered opportunities to reduce emissions associated with the facility? What are the costs and benefits?
- Have you evaluated the feasibility of sourcing renewable energy now or in the future? Whether from utility programs, onsite generation or contracts with off-site renewable sources (e.g., Power Purchasing Agreements)

Supply Chain & Procurement

Supply chain and procurement includes supplier and distribution partner selection and management.

Physical Risk

Different regions face different climate-related physical risks (e.g., drought, wildfire, extreme storms) that could impact your supply chain, distribution or end product.

- Have you evaluated the material physical climate risks in your upstream supply chain or downstream distribution?
- Are you prepared to handle any supplier or distributor disruptions (e.g., alternative sources of supply or contingencies for distribution)?

Regulation

It is important to understand current and future climate regulations that could impact your suppliers. Specifically, understand emissions regulations or carbon tax schemes that could impose costs to your business.

- Are there current or future climate-related regulations, taxes that could impact your suppliers? How will that impact your business and cost structure?

Scope 3 Emissions

Most of a business's emissions are in their value chain, including sourcing from suppliers and transportation and distribution of products. As you design your supply chain, consider ways to reduce emissions.

- Have you considered the emissions intensity of your supply chain?
- Is the sustainability of your suppliers important to you or your customers? Have your suppliers measured their carbon footprint? Do they provide environmental product declarations?
- Are there cost-efficient ways to reduce your supply chain emissions (e.g., sourcing domestically)?

Considerations for Asset-Light Companies

Asset-light companies cover business without a physical footprint, outside of office space. Sectors may include but are not limited to software, professional services.

Data Center Selection

Data center selection includes selection and management of data centers.

Physical Risk

You should understand acute and chronic physical risks that could impact your data centers and how resulting interruptions or downtime would disrupt your business.

- Have you evaluated the material physical climate risks for your data centers? Would your business be impacted in case of an event?
- Are you prepared to handle any downtime or disruptions to your data centers (e.g., backup data centers)?

Scope 3 Emissions

It is important to understand current and future climate transition risks that could impact your data centers. With the increased energy demand from datacenters (particularly in the growth of AI processing), we expect increasing scrutiny and potential regulation of data centers' energy use.

- Do your data centers have a plan around energy efficiency or sourcing renewable energy?

Product & Service Development

Service development includes the development and expansion of software products and services.

Product Sustainability

Intentionally or not, your products or services may have positive or negative impacts on global emissions. Reducing negative impacts could reduce your risk and optimizing positive impacts could attract customers.

- Have you considered how your products/services could positively or negatively impact emissions?
- How can you mitigate negative impacts and/or maximize positive impacts?
- Are the positive impacts measurable?

Transition Risk

As we transition to a low carbon economy, certain emissions intensive sectors may decline (e.g., oil and gas) and lower emissions alternatives (e.g., electric vehicles) may grow. It's important to understand how your customer base and go to market strategy could be positively or negatively impacted as market dynamics change as a result of the transition.

- How will your customers and end markets be impacted by the transition to a lower carbon economy?
- Are you serving an end market that will experience secular decline?
- Do you need to reconsider any aspects of your service lines or go to market strategy?

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