Climate Governance Initiative Australia

Australian Institute of Company Directors

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Climate Governance for NFP Directors

Starting the Journey to Net Zero

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Foreword

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Every organisation will need to understand and respond to climate change in the coming years. The challenges for not-for-profits (NFPs) are multi-faceted, complex and increasingly urgent. Many NFPs will face higher demand for their services due to climate change triggering more extreme weather events and major economic change in communities. These same forces are also causing disruption to the day-to-day operations of NFPs, making it more difficult to serve their communities. NFPs will also participate directly in achieving economy-wide net zero ambitions, as the nation ramps up ambition to meet legislated targets. Indeed, some NFPs will face greater stakeholder pressure to decarbonise than for-profit organisations.

Directors of NFPs will play a critical role in shaping and leading their organisation's response to climate change. The Australian Institute of Company Directors (AICD) 2021 Climate Governance Study revealed that NFP directors are concerned about climate change but unsure how it impacts their organisation and how to get started amidst competing priorities and limited resources.

The AICD is committed to supporting NFPs and their boards on their climate governance journey, and to demystify this important topic. That is why the AICD retained PwC Australia to develop this resource – the 'Climate Governance Guide for NFP Directors – Starting the Journey to Net Zero'.

This Guide includes specific examples and practical resources for how directors of NFPs can take action to address climate change, such as reducing energy consumption or transitioning to renewable energy sources. It also provides an overview of the importance of engagement with stakeholders and highlights the risks and opportunities of addressing climate change.

While the topic can feel overwhelming initially, the Guide provides a simple roadmap for NFPs seeking to make a difference at a local level. I encourage our NFP directors to also engage with the suite of other resources produced by the Climate Governance Initiative Australia, of which the AICD is host.

As the CEO of AICD and also the Chair of a NFP, I am delighted to present this Guide and to reinforce the commitment of the AICD to supporting NFPs in their critical community role.

CLIMATE GOVERNANCE INITIATIVE AUSTRALIA

*This Guide is published as part of the work program of the Climate Governance Initiative Australia (CGIA) – a multi-partner collaboration aimed at supporting effective climate governance by Australian boards. Further practical resources from the CGIA can be found **here**.*

Purpose and scope of this guide

WHAT IS THE PURPOSE OF THIS GUIDE?

The latest **2023 Intergovernmental Panel on Climate Change (IPCC) Synthesis Report** (AR6) highlights that climate change has caused widespread economic and non-economic losses and damages, with adverse impacts on human health, livelihoods, critical infrastructure and disruptions of services. Despite the significance of climate change to not-for-profits (NFPs), our discussions on the topic with the sector found that many are dealing with competing priorities and challenges that limit their effective response.

This new Guide aims to help NFP non-executive directors (NEDs) – and their CEOs and senior managers – at the beginning of their climate journey without the need to navigate multiple resources. Many existing resources for directors focus on high emitting, hard to abate, or globally influential sectors such as natural resources, transport and finance. Even the **World Economic Forum (WEF) guiding principles and questions** for effective climate governance were developed for corporates, yet they are equally applicable to NFPs. Further, NFPs typically have limited resources and overwhelming client demand.

As we outline in this Guide, NFP NEDs face unique opportunities, risks, and challenges in climate governance. This Guide provides them with tools to take their organisation's first steps to respond to the climate challenge. It introduces key concepts of climate governance, case studies, questions for directors and management to ask and recommended actions (including practical resources) to reduce your organisation's carbon footprint and support national and global decarbonisation commitments.

Through this Guide, we hope NFP NEDs will recognise that NFP action on climate is consistent with other goals, like achieving the organisation's purpose, servicing clients, reducing costs and operational efficiency. Sound climate governance is already and will be increasingly important to winning contracts and funding, for instance government grants.

WHAT DOES THE GUIDE CONTAIN AND HOW TO USE IT?

This Guide is based on the **Board Toolkit**[1], a climate change Boardroom tool from Chapter Zero UK, part of the Climate Governance Initiative. Please note that some of the content in this Guide has been modified to ensure it is fit for purpose for the NFP sector.

Section 1 provides information and resources to help assess your organisation's carbon footprint, followed by clear steps to reduce emissions by setting targets and actions to achieve these targets. Section 2 covers the legal duties and compliance obligations of directors and organisations in the NFP sector, and Section 3 covers the importance of considering stakeholder sentiment on climate change. Section 4 considers climate change with a risk management lens, and Section 5 focuses on how to consider the opportunities that arise due to the transition to a low-carbon economy.

For those keen to understand how effectively their Board is currently tackling the net zero transition and building resilience to climate impacts, Chapter Zero UK has developed a short survey called the **Board Scorecard**. To complete the Board Scorecard you need to answer a total of 20 questions. These are split across four different topic areas: leadership, ownership, strategy and measurement. Upon completion, you will be emailed a PDF of your results that you can take to the boardroom to facilitate discussion.

1. Chapter Zero: A climate change boardroom toolkit. Refer pages 16-23.

NFP director checklist

KEY STEPS FOR YOU TO START YOUR CLIMATE GOVERNANCE JOURNEY

Each NFP will be at a different stage in its climate governance journey and have access to a range of resources that will influence its ability to take these steps. We recommend the Board discuss with management these steps and actions outlined to assess what is possible for your NFP. This guide provides you with the tools and resources to enable you to do this.

1. Understand and improve your organisation's carbon footprint	Assess and take steps to reduce your organisation's carbon footprint • Ask management to assess our organisation's carbon footprint using this guide? • Should we introduce targets to reduce our carbon footprint emissions?
2. Understand your climate governance obligations	Understand your climate governance obligations • Have we considered whether climate change is a material and foreseeable risk to our organisation? • Will our organisation be subject to mandatory reporting and disclosure requirements? If not, should we consider voluntary disclosure? • Consider what free resources can lift board and management capability (e.g. CGI resources).
3. Consider stakeholder views on climate	Integrate stakeholder sentiment and expectations on climate into Board decision-making • How do we consider stakeholder perspectives on climate? Which stakeholder group(s) are likely impacted (both positively and negatively) by the actions of the organisation regarding climate? • Does our organisation need a formal stakeholder governance framework to consider those interests?
4. Assess climate risks and develop mitigation measures	Assess material climate risks through risk register and implement appropriate mitigation measures • Which climate-related risks present a material exposure to our strategy or operations? • Identify key mitigation measures and what external support may be needed.
5. Consider climate opportunities	Explore benefits of climate change through strategic planning and external partnerships • What opportunities are presented by a low carbon economy? • How can we collaborate with members/clients and stakeholders to fulfil our goals?

Executive summary

WHY IS CLIMATE CHANGE RELEVANT TO THE NFP SECTOR?

The NFP sector is increasingly impacted by climate change in many ways, including:

- **Clients, customers, and communities** impacted by the increased severity and frequency of extreme weather events (e.g. frontline emergency support, supply chain disruption, inability to host events and fundraisers etc.).
- **Employees and volunteers** will want to work with organisations who are aligned with their values on addressing climate change.
- **Donors and funders** will expect NFPs to reduce emissions and build climate resilience in line with other sectors of the economy.
- **Governments and regulators** will eventually expect NFPs to require tenders and grants to include information on how an organisation is addressing climate change.

HOW CAN I START MY BOARD'S CLIMATE GOVERNANCE JOURNEY?

STEPS	SUGGESTED IMMEDIATE ACTIONS	WHY?
1. Understand and improve your organisation's carbon footprint	• Reduce your organisation's carbon footprint by committing to action on climate change. We suggest working with management to take the following actions (refer to ***Section 1*** and ***Appendix 1*** for details, free resources and examples): – A: Calculate your organisation's greenhouse gas (GHG) emissions baseline. Refer to ***Appendix 1*** for resources that will help you do this. – B: Commit to reduce emissions by setting medium-to-long term targets (e.g. achieving net zero by 2050). – C: Prepare short-term targets and metrics (e.g. commit to 100 per cent renewable energy by 2025). – D: Implement actions to achieve targets (e.g. updating lights to LEDs, transition to renewable or green energy etc.). – E: Track and monitor your decarbonisation efforts against your baseline • Include decarbonisation as a periodic agenda item at Board meetings - discuss both current state and ambition.	Developing an emissions baseline allows you to set specific and measurable targets and a roadmap to plan, track and monitor your decarbonisation efforts against your baseline.
2. Understand your climate governance obligations	• Understand your climate governance obligations. Refer ***Section 2*** of this guide. • Consider whether climate change is a material and foreseeable risk to your organisation. Incorporate in risk register if necessary. • Determine if your organisation will be subject to mandatory reporting and disclosure requirements. If not, should we consider voluntary disclosure? • Continually monitor climate reporting and disclosure obligations as this is a rapidly evolving area. • Consider what free resources can lift board and management capability (eg CGI resources).	To ensure your organisation is complying with legal requirements and you as a director are satisfying your directors' duties.

STEPS	SUGGESTED IMMEDIATE ACTIONS	WHY?
3. Consider stakeholder views on climate	• Understand key stakeholder sentiment on climate change and their expectations of the organisation. • Understand which stakeholder interests will have the most influence over other stakeholders. • Establish appropriate processes to ensure ongoing monitoring of evolving climate sentiment of stakeholders.	Stakeholder sentiment and expectations on climate change are increasingly impacting stakeholder decision-making (e.g. your NFP's approach to climate change may impact government funding commitments).
4. Assess climate risks and develop mitigation measures	• Include climate on the agenda for the next strategy session. Discuss the climate considerations of the current strategy and whether this is aligned to the organisation's climate policy/commitments, risk appetite and stakeholder expectations. • Explore alliances with other NFPs and/or corporates to help with identifying potential climate-related opportunities to pursue. • Enhance Board capability through training and consider whether climate change related skills and knowledge should be included in the skills matrix.	To ensure your organisation is prepared for the impact of climate change in the future.
5. Consider climate opportunities	• Include climate on the agenda for the next strategy session. Discuss the climate considerations of the current strategy and whether this is aligned to the organisation's climate policy/commitments, risk appetite and stakeholder expectations. • Explore alliances with other NFPs and/or corporates to help with identifying potential climate-related opportunities to pursue. • Enhance Board capability through training and consider whether climate change related skills and knowledge should be included in the skills matrix.	To ensure your organisation is able to benefit from the opportunities that climate change presents.

Introduction to climate change and climate governance

WHAT IS CLIMATE CHANGE?

Climate change refers to the long-term global shifts in temperatures and weather patterns. Human activities, primarily due to burning fossil fuels like coal, oil and gas, are the main drivers behind climate change. These activities are causing a build-up of GHG emissions in the atmosphere (carbon being the largest of these), also known as global warming. The scientific consensus is that reducing GHG emissions is the only way to limit global warming. The risks arising from climate change have been characterised into three broad categories:

- **Physical risks –** These comprise of risks to the natural and built environment, and include risks associated with an increase in the frequency and intensity of extreme weather events, such as coastal and inland floods, extreme winds and precipitation, soil contraction, heatwaves and drought, and gradual onset impacts such as rising sea levels, increasing average temperatures and rainfall variation. These, in turn, have significant consequences for ecosystem loss, human health, the integrity of the built environment and supply chains. Physical risks compound over time and become significantly worse under high emissions scenarios.
- **Economic transitional risks –** These arise as governments, capital markets and the real economy shift in pursuit of low-emissions targets. Transition risks include policy and regulatory responses (such as emissions reduction laws, heightened planning and building codes), changes in customer demand, technological developments and shifts in stakeholder preferences.
- **Liability risks –** These comprise those risks arising as a result of changing laws and where parties who have suffered loss or damage from the effects of climate change seek compensation from those they hold responsible, such as governments and carbon extractors and emitters.

WHERE DOES THE WORLD NEED TO GET TO?

To limit warming to 1.5°C, global CO^2 emissions needed to peak by 2020, decline by at least 45 per cent from 2010 levels by 2030, and reach net zero by 2050. Many countries, cities, businesses, organisations and other institutions are pledging to get to net zero emissions. Reaching net zero emissions is when there is a balance between the amount of GHG emissions produced and those taken out of the atmosphere. So, for a NFP, reaching net zero means that it is no longer contributing to global warming.

WHY IS IT RELEVANT TO AUSTRALIA?

Climate change is no longer a distant issue; we are starting to see its effects and the impacts of efforts to address it. Warming of the Australian continent is occurring faster than the global average. Across Australia the climate has now warmed on average by 1.44°C since 1910 (when records first began to be kept). As a result, chronic and acute physical impacts, such as an increase in frequency and severity of floods and bushfires, are already being felt, and are estimated to worsen in frequency, intensity, and impact.

Australia is experiencing supply chain shocks, energy transition challenges and natural disasters. In 2022, the National Energy Market was suspended for the first time in history to avoid energy blackouts due to rising energy costs as Australia transitions to renewable energy; inflation rose to 7.3 per cent in the September quarter 2022, which is the largest rise since the fallout from the Global Financial Crisis in 2009; and the east coast experienced multiple floods, regular extreme wet weather events and emergencies due to climate changes.

WHAT ARE THE LEADING CLIMATE GOVERNANCE PRACTICES OR PRINCIPLES?

The World Economic Forum (WEF), in collaboration with PwC, developed the guiding principles and questions to support the effective establishment of climate governance on corporate Boards.

These eight governance principles (set out below) are designed to increase directors' climate awareness, embed climate considerations into Board structures and processes, and improve navigation of the risks and opportunities that climate change poses to business. Adjustments will need to be made when interpreting the principles for the NFP sector - but the fundamentals covered in this Guide will support the NFP sector start their climate governance journey and start to implement the principles.

The AICD supports these Principles, consistent with its role as host of the Climate Governance Initiative Australia.

PRINCIPLE 1
Climate Accountability

PRINCIPLE 2
Subject Command

PRINCIPLE 3
Board Structure

PRINCIPLE 4
Materiality Assessment

PRINCIPLE 5
Strategic Integration

PRINCIPLE 6
Incentivisation

PRINCIPLE 7
Reporting and Disclosure

PRINCIPLE 8
Exchange

1. Understand and improve your organisation's carbon footprint

OVERVIEW OF KEY CONCEPTS

What is a carbon footprint?

A carbon footprint is your organisation's total GHG emissions expressed as a carbon dioxide equivalent. The scientific consensus is that the only way to address climate change and limit global warming is to reduce GHG emissions (carbon being the largest source of these).

Developing a carbon footprint and reporting on GHG emissions requires an understanding of GHG emissions sources (or Scopes). Most organisations focus on reducing the emissions produced by their operations (referred to as Scope 1 and 2), but there is an increasing move to also remove/reduce emissions across an organisation's value chains (referred to as Scope 3).

What is a carbon offset?

A carbon offset is the reduction or removal of emissions from the atmosphere. Carbon offsets are used to reduce an organisation's surplus emissions to help it achieve its annual net-zero targets. Carbon offsets should be the last resort for organisations to reduce their carbon footprint. NFPs may find buying offsets cost-prohibitive and or very hard to access.

One carbon credit (in Australia known as an 'ACCU' (Australia Carbon Credit Unit)) is issued for each tonne of emissions stored or avoided by a carbon offset project.

Examples of offset projects are biodiversity corridors or the creation of forests. These can be purchased in the carbon market.

How do we start our decarbonisation journey?

By understanding this is a complex topic and many leading global organisations and governments are still grappling with climate change action. Rather than developing deep climate expertise, you should **collaborate where possible to leverage skills and support** to help you on the journey. For instance:

1. **Access pro bono climate expertise –** there are many enthusiastic climate activists and specialists who want to make a positive impact on climate change and may supply pro bono support to help you.
2. **Collaborate with your value chain partners –** you may have a large supplier or customer in your value chain that is quite mature in their decarbonisation journey and willing to assist you (as part of their own decarbonisation efforts).
3. **Reach out to peak bodies –** you may want to approach your peak sector organisations for practical resources or other member organisations to collaborate with.

What is the role of the Board?

In terms of practical steps, the Board should make a commitment to action on climate change - this could be via emissions reduction targets or through sustainability commitments. For example, the Board could work with and empower management to take the actions outlined in detail below to reduce your organisation's carbon footprint:

- A: Calculate your organisation's carbon footprint.
- B: Commit to reduce emissions by setting medium-to-long-term targets.
- C: Prepare short-term targets and metrics.
- D: Implement actions to achieve targets.
- E: Track and monitor your decarbonisation efforts against your baseline.

The following page and ***Appendix 1*** provides further detail on how to achieve management (with the support of the Board) can achieve these actions.

ACTIONS TO REDUCE YOUR ORGANISATION'S CARBON FOOTPRINT

A. Calculate your organisation's carbon footprint

The first step requires your organisation to calculate its GHG baseline, being the total GHG emissions produced in the year you undertake your first carbon footprinting exercise.

Many valuable free and paid resources are available to help your organisation determine its baseline - refer to ***Appendix 1***(A). Alternatively, if you have the resources, your organisation could work with an advisor to assess its carbon footprint baseline.

We suggest you share this information with your management team and ask them to make calculating a baseline a priority.

B: Select medium and long-term emissions reduction targets

Once you have established your organisation's baseline, it is necessary to set long-term targets, such as halving GHG emissions before 2030 and achieving net zero by 2050 or sooner. Setting these targets will allow you to set specific and measurable short-term targets (refer ***Step 3***).

Appendix 1(B) includes example climate commitments that NFPs could adopt.

C: Prepare short-term targets and metrics

To achieve your organisations long-term targets, it is necessary to set short-term targets and metrics that your organisation may track and report against. These might include targets such as:

- Reducing emissions from business travel by 50 per cent by 2025 relative to your baseline year.
- Committing to 100 per cent of energy to come from renewable sources by 2025.
- Replacing all lights with energy efficient LED lights by the end of 2024.
- Ensuring 70 per cent of all vehicles owned or leased by the organisation be electric by 2050.
- Reducing carbon emissions from your business' vehicles and employee travel by having regard to the Energy Saving Trust's Fleet management toolkit.
- Implementing a sustainable procurement policy by 2025.

D: Implement actions to achieve short-term targets

Specific actions that can be taken to achieve targets, including specific resources for certain sectors are also included in ***Appendix 1*** (C). Some examples include:

SHORT-TERM TARGET	ACTION
100 per cent renewable energy by 2025	In Australia, the easiest way to switch to renewable energy is to ensure your energy is from **Greenpower** accredited products, which are sold by most energy providers. A list of these products is available **here**. Engage with these suppliers and make the switch.
Improving energy efficiency	Take steps to replace lights. The NSW Government Energy Savings Scheme (ESS) has been developed to help businesses in NSW upgrade to energy-efficient LED lights – the cost of LED bulbs and installation is subsidised. Further detail is available **here**.

E: Track and monitor your decarbonisation efforts against your baseline

Once your targets are in place, you can develop a roadmap to plan, track and monitor your decarbonisation efforts against your baseline and have oversight against how you are tracking.

What if my organisation is not able to establish our carbon baseline?

If you are unable to undertake a carbon baseline exercise and set targets, here are some initiatives all NFPs can implement to reduce their carbon footprint (Refer to ***Appendix 1*** for more examples):

- Switch to **renewable or green energy.**
- Switch to **low carbon transport**, like electric vehicles, local transport, cycling or car-sharing.
- **Reduce waste**, especially landfill and look to reuse, recycle or organic options.
- Incorporate more **sustainable products** like paper bags instead of plastic bags.
- Improve **energy efficiency** by improving the insulation of premises.

CASE STUDY

CARBON FOOTPRINT

Cricket for Climate assessed the carbon footprint of the national cricket ecosystem. This placed the sport in the Top 50 GHG emitters in the country and helped create a compelling case for change.

Cricket for Climate was founded by Pat Cummins as a result of his ambition to address climate change to protect the future of Australian cricket for all. As captain of the Australian men's Test cricket team, Pat has seen the devastating impacts climate change is having on cricket globally, such as extreme hot weather conditions or matches cancelled due to bushfire smoke or unseasonal monsoons.

The Board of Cricket for Climate identified that to enact urgent action and create impact, a national carbon emissions footprint was required across Australian cricket, which included Scope 1, 2 and 3 GHG emissions. Cricket for Climate did not have the capability to undertake a baseline assessment, so they worked with their strategic advisor for support.

The baseline determined that the Australia cricket ecosystem produces a carbon footprint of ~1 million tonnes each year, which places the sport into the top 50 emitters* in the country and makes it a key contributor to global warming. The Australian cricket ecosystem's baseline includes approximately 5,000 community cricket clubs, large stadiums, national and international competitions.

The Cricket for Climate aims to not only implement action to address climate change but create greater awareness of the issue and educate fans in how they can help to reduce their carbon footprint and support the transition to a low carbon economy.

In terms of targets, Cricket for Climate has targeted installing solar panels at over 4,000 local clubs. As part of their strategy, Cricket for Climate have set a net zero (Australian) cricket target by 2035 and 75 per cent reduction in GHG by 2030. Cricket for Climate are currently working on standing up a number of pilots to deliver on this ambition.

Note* - The Top 50 emitting organisations in the NGER ratings list FY22

CARBON NEURTRAL PROGRAM

Albert Park Pre-School (an early childhood centre in Melbourne) is a Climate Active network member and has prepared a public disclosure summary for how it meets the requirements of the National Carbon Offset Standard Carbon Neutral Program.

The public disclosure summary (available here) sets out Scope 1, 2 and 3 emissions and includes Albert Park Pre-School's emissions reduction strategy, targets and key actions. These include:

- All gas appliances have either been replaced or removed from the centre. No further emissions from gas will be generated.
- After-hours electrical use is avoided, with the aim being to reduce grid electricity significantly and make better use of the solar battery.
- All equipment is to be re-measured for power consumption in all phases of operation (overnight, standby, powersave and operational modes) to develop a strategy to become energy self sufficient.
- Carry out a waste audit to determine waste composition by category and weight.
- Purchasing 100 per cent green power.

KEY QUESTIONS AND ACTIONS

Key questions for Boards to ask themselves:

- What is our **organisational policy** on climate change? Do we need a specific policy document?
- Should we introduce **specific targets** to reduce our own GHG emissions? Should this include a pathway to 'net zero' emissions? Over what timeframes?
- How do we integrate issues associated with climate change into our **Board governance** (strategy, oversight, and risk management) **responsibilities**?
- How do we hold **management to account** for implementing the climate-related policies, strategies, and risk mitigations approved by our Board?

Suggested immediate actions

- Take steps to calculate your organisation's GHG emissions baseline. Refer to ***Appendix 1*** for resources that will allow your organisation to calculate its baseline.
- Take responsibility for your organisation's carbon footprint and commit to reduce emissions by setting targets and metrics. Refer to ***Appendix 1*** for sample targets and metrics NFPs may adopt to reduce emissions.
- Implement actions to achieve targets, such as updating lights to LEDs, transition to renewable or green energy etc.
- Include decarbonisation as a periodic agenda item for Board meetings - discuss both current state and ambition.

Suggested longer term actions

- Make a decarbonisation commitment – for example Net Zero by 2030.
- Consider an assigned Board member, and/or joint Board-management committee, to provide oversight of progress against your climate action plan or roadmap.
- Upskill Board members and executives in climate governance, reporting and emissions.
- Commit to a climate policy and risk appetite statement that details your climate vision, targets and reporting standards.
- Align performance measures of management and staff to meet carbon targets and metrics.

2. Understand your climate governance obligations

OVERVIEW OF KEY CONCEPTS

What are the duties and expectations of me as a director?

As a director, it's important to remember you have a range of fiduciary, common law and statutory duties to the organisations you govern.[1] This includes a duty to act with care and diligence and balance the foreseeable risk of harm against the potential benefits that could reasonably have been expected to flow.[2]

Directors also owe a duty to act in good faith in the best interests of the organisation and for a proper purpose. For NFPs, the organisation's purpose will be a core factor for directors to consider in deciding what is in the best long-term interests of the organisation. A legal opinion commissioned by the AICD (**Walker Opinion**) has confirmed that directors have considerable discretion in determining the best interests of their organisation, and that environmental and stakeholder perspectives are legitimate considerations. See the **AICD's Practice Statement** on a director's best interest duty for further guidance.

How should I consider climate change when considering my directors' duties?

Where climate change is a material and foreseeable risk to an organisation, you have an obligation to seek to address it as part of your risk oversight role.

This does not mean that climate change necessarily needs to be prioritised over any other foreseeable risk. But it does mean that you should inform yourself of the impact of climate change risks and/or opportunities to your organisation. If your Board determines such risks and/or opportunities are material, you must appropriately consider these in your governance of strategy and risk oversight – in the same manner as you would any other foreseeable financial risk or opportunity.

NFPs may need to consider the perspectives of important stakeholders like members, volunteers, donors, funders and the general public. For example, a sporting club may need to consider the expectations of its sponsors on the issue of climate change or have in place an extreme heat policy. Government funding grants may also include expectations around climate change action. Refer to ***Section 3*** for further information regarding stakeholder sentiment.

Is my NFP subject to any climate reporting obligations?

The short answer is that there are no mandatory climate reporting obligations in Australia that are likely applicable to NFPs in Australia. However, the **NGER** (**National Greenhouse and Energy Reporting**) framework applies to organisations that meet the **thresholds**.

A consultation commenced in December 2022 on mandatory climate reporting requirements for large emitters, including the ASX 200. These reporting obligations will likely not apply to smaller NFPs, at least in the short-to-medium term. However, the Australian Government's new climate commitments will likely result in changes to policy and regulation over the coming years that may impact NFPs.

You should ensure that your management team monitor climate reporting and disclosure obligations for your organisation as this is a rapidly evolving area.

1. Note charities registered under the Australian Charities and Not-for-Profit Commission (ACNC) are not subject to Corporations Act provisions. However, they are subject to the **ACNC Governance Standards** and **common law duties**. See the **AICD's Not-for Profit Governance Principles**.
2. A legal opinion (Hutley Opinion) on directors' duty of care as it applies to climate change concluded that Australian directors can, and should, be considering the impact of climate change risks on their company [or NFP] – and those that fail to do so could be found liable for breaching their duty of care. This means ensuring appropriate measures are in place to protect stakeholders from the immediate effects of climate change and realising that climate change risk is not a distant issue. **Noel Hutley SC Legal Opinion** and **AICD article: Climate Change & Directors' Duties – Legal Opinion**

2. UNDERSTAND YOUR CLIMATE GOVERNANCE OBLIGATIONS

What progress has been made to implement climate reporting & disclosure obligations for NFPs?

At this stage, there are no climate reporting and disclosure obligations that apply to NFPs.

The Australian Accounting Standards Board (**AASB**) recently released a proposed interim climate change reporting standards framework for industry feedback in November 2022. This suggests reporting obligations are coming. However, it is unlikely that these will apply to NFPs (especially smaller ones) in the short-to-medium term.

It is currently not considered likely that NFPs will be mandated for climate disclosures. Early indications are that these will likely be effective for reporting periods commencing on or after 1 July 2024 and would therefore impact 30 June 2025 reporting.

The **International Sustainability Standards Board** (**ISSB**) was established in November 2021 to establish globally consistent and trusted standards for climate reporting. In the absence of existing mandated reporting, the **Task Force on Climate-related Disclosures** (**TCFD**) have been increasingly used as the global standard for climate disclosures. The TCFD will likely form the basis for the ISSB climate standards, due to be finalised in 2023.

Australian Treasury is currently consulting on mandatory climate reporting standards for large listed and financial institutions. Further information is available **here**.

What is Greenwashing and how can we avoid it?

Greenwashing is attempting to make people believe your organisation is more sustainable and doing more to protect the environment than it really is.

When reporting on climate or making any climate targets or claims, it is important to avoid making false or misleading statements. To mitigate Greenwashing risk, it is critical to ensure:

1. Any green or environmental statements made, including net zero commitments, are scientifically sound and appropriately substantiated, such as ensuring an evidenced based carbon footprint baseline; and
2. Transparent monitoring of progress or validation of climate statements, and ensure specific and tangible metrics to measure progress are in place (e.g. setting realistic evidence-based targets for net zero commitments and developing realistic plans and targets).

For NFPs, we suggest that you limit disclosures around climate change to the steps you have taken or propose to take to reduce emissions. Check out our recorded **webinar** (in collaboration with CGI Australia partner, MinterEllison) on greenwashing for practical steps for how boards can reduce legal and reputational exposures.

KEY QUESTIONS AND ACTIONS

Key questions for Boards to ask themselves:

- Will we be subject to **any mandatory reporting**?
- If not, should we consider **voluntary disclosure**?
- How should I consider **climate change when considering my directors' duties**?
- Are we satisfied that any commitments we have made to reduce our GHG emissions are **achievable and evidence-based**?

For those organisations required to report on climate change

- Has our reporting been subject to **external audit or assurance**? How was that decision reached?
- Have we put specific questions to key finance personnel about the **impact of material climate assumptions** on asset useful lives, valuation and impairment, liability provisions, revenues, expenditures and cash flows?

Suggested immediate actions

- Identify and understand key climate duties and responsibilities applicable to your organisation and directors.
- Consider whether climate change is a material and foreseeable risk to your organisation. Incorporate in risk register if necessary.
- Enhance Board capability through training and consider whether climate change related skills and knowledge should be included in the skills matrix.

Suggested longer term actions

- Collect and report metrics as per your organisation's carbon policy and commitments. Have oversight through regular reporting as to how the metrics are collected, which targets are utilised and the adherence to transition roadmaps.
- Communicate your organisation's carbon strategy with clarity.

3. Consider stakeholder views on climate

OVERVIEW OF KEY CONCEPTS

What is climate sentiment?

Climate sentiment is how your stakeholders feel towards climate change and the potential impacts this may have on your organisation.

Organisational stakeholders are increasingly focused on and aware of climate-related matters. Issues like extreme weather events and global **publications and institutions, such as the United Nations Climate Change Conference (COP), have only heightened this awareness.**

Regularly engaging and understanding your stakeholders' sentiment is critical for long-term organisational success. Refer to AICD's guide **Elevating stakeholder voices to the board** for further information.

Boards need to understand their stakeholders evolving climate expectations and take appropriate, meaningful and measurable steps to address these. It is important such engagement and action is authentic and more than a 'tick box' exercise.

The following table illustrates some potential trade-offs that show the spectrum of climate sentiment across various stakeholder groups.

Figure 1 - Potential trade-offs for different stakeholders from The Chairperson's Guide to Climate Stakeholders[3]

Donors, Funders, Government	**Short-term contribution versus long-term viability** Climate action may require an upfront investment by an organisation, often requiring funds to be diverted from an NFPs 'purpose' activities. However, limiting global warming through the transition will also support sustainable growth, reduce costs and the potential to develop new opportunities in the long term.
Employees and Volunteers	**Short-term remuneration and reward versus value-aligned career and relationship longevity** Employees and/or volunteers are progressively aware of and make decisions on who they are employed or associated with based on an organisation's environmental track record and values.
Communities	**Upfront transition costs versus long-term socio-economic disruption** Communities are increasingly disrupted by a changing physical climate. These consequences can be mitigated; however, it usually comes at an upfront cost of transition. This is a difficult decision, particularly for vulnerable communities with little to invest but suffer the greatest impact.

3. Where appropriate changes have been made to take into account the NFP sector.

3. CONSIDER STAKEHOLDER VIEWS ON CLIMATE

CASE STUDY

STAKEHOLDERS – MEMBERS

A community organisation's governance structure allowed the Board to respond to strong member sentiment

A community development and education organisation’s Board listened to strong member pushback regarding a long-term corporate partnership and acted to dissolve this partnership since it was no longer values-aligned with their organisation.

The NFP had initially partnered with the corporate, given they had made a public commitment to sustainable development, including supporting the global transition to renewable energy and reducing market demand for fossil fuels. However, the corporate’s new involvement with the coal mining sector no longer aligned with its members’ sentiments.

The Board was able to take action as it had climate firmly embedded in its governance structure and relied on existing internal policies to review the existing partnerships through an environmental and climate change lens.

As the Board had ensured clear policies and associated objective decision-making frameworks were in place, they could engage with clarity to reach a desirable outcome for the organisation and its stakeholders.

Sporting bodies reconsider sponsorship arrangements as a result of public opposition

There has been a broader trend of sports having to change sponsors due to player and fan backlash regarding fossil fuel sponsorships. One major sporting organisation dropped its multi-year sponsorship deal for its flagship annual event after significant public opposition.

KEY QUESTIONS AND ACTIONS

Key questions for Boards to ask themselves:

- Does our organisation need a **formal stakeholder governance framework** to consider climate?
- Which **stakeholders' interests** will have the most influence over other stakeholders?
- What **information** will assist the Board in considering the interests of all stakeholders?
- What **level of engagement** with various stakeholders is appropriate for the Board?
- Stakeholders are asking questions on how management is positioning the organisation for the future - is your **management able to respond** if you posed similar questions?

Suggested immediate actions

- Understand key stakeholder sentiment on climate change and their expectations of the organisation. For member based organisations a survey or open forum meeting may be appropriate to gauge expectations, including the organisation's Annual General Meeting.
- Establish appropriate processes to ensure ongoing monitoring of evolving climate sentiment of stakeholders.
- Consider using climate change as a pilot for lifting broader stakeholder engagement.

Suggested longer term actions

- Consider stakeholder relationships with a carbon emission lens or consideration. This may include donors, supply chains, suppliers, financial organisations or clients.
- Evaluate the strategic role of the Board and Chair in delivering external communications when responding to evolving climate sentiment from key stakeholders.

4. Assess the organisation's climate risks and develop mitigation measures

OVERVIEW OF KEY CONCEPTS

What are physical and transition risks?

Climate-related risk refers to the potential negative impacts of climate change on an organisation. Both physical, transition and legal risks are outlined in the Task Force on Climate-related Disclosure (TCFD) and summarised on *page 43*.

How do I identify physical climate risks and their potential impact on my organisation?

Boards should incorporate climate risk management into existing risk management processes. Only climate risks that are deemed to have a material risk on the organisation should be escalated and considered at Board level. Refer to *Section 2* for a discussion of materiality.

It is helpful to work with a partner or more experienced organisation to help you think about potential climate risks, identify if these are material to the organisation, and discuss mitigation strategies. Partners could include a larger NFP, or pro bono/in-kind support from a corporate or professional adviser, for example.

Long-term strategies, plans and resources need to be put in place to help ensure that climate change does not negatively impact achieving the organisation's purpose and overall ambition.

Is there a framework for assessing physical climate risks?

Below is a simple example for how a sporting or arts NFP/charity might go about assessing physical risk for a fundraising event (for example, surf lifesaving carnival, fun run, bike ride) and ways to mitigate the risk.

Step 1 – Identify risk event *Transition or physical risk*	Physical risk - bushfire risk to fundraising event.
Step 2 – Determine organisational outcome *Direct consequence of the event outcomes could affect people | value chain | physical assets | services | intangibles*	Attendees/staff lives in danger.
Step 3 – Determine organisational impact *Consequential impact on organisational activities*	Cancelled event, reputational damage, regulatory action.
Step 4 – Determine financial and/or overall impact *Financial and / or overall impact*	Lost revenue from main annual fundraising event; expenses and sunk costs; increased insurance premiums.
Step 5 – Determine mitigation measures *How to reduce exposure*	Change event date (summer to non-summer), time, location (away from bushfire prone land), numbers (less attendees/staff but more efficient fundraising per person).

What is scenario analysis and does our organisation need to do it?

Scenario analysis enables organisations to explore the full potential extent and impact a change in temperature. In a 1.5-degree scenario, it is usual for there to be more transition risks compared to a more significant number of physical risks in a hotter 3 or 4-degree scenario.

When starting the climate risk management journey, NFP Boards must identify material risks and ensure an appropriate mitigation plan is in place. Scenario analysis can be introduced as the Board matures in its climate governance journey.

4. ASSESS THE ORGANISATION'S CLIMATE RISKS AND DEVELOP MITIGATION MEASURES

KEY QUESTIONS AND ACTIONS

Key questions for Boards to ask themselves:

- How should climate change be integrated into our **existing risk management framework**?
- How do we determine which climate-related risks present a **material exposure** to our strategy or operations, over what relevant timeframes? On what basis is the threshold of 'materiality' set?
- How do climate-related risks and opportunities impact on **other risks and opportunities** identified by the organisation? How should we manage it in relation to those other risks and opportunities?

Suggested immediate actions

- Identify and incorporate material climate risks into the organisation's risk register, with appropriate mitigation measures.
- Require regular reporting on the implementation of mitigation measures of material climate risks.

Suggested longer term actions

- Investigate scenario planning for major risks.

5. Consider climate opportunities

OVERVIEW OF KEY CONCEPTS

What is climate opportunity?

For many organisations, climate change presents significant disruption and ongoing challenges. As organisations adjust their products and services to be more sustainable, this is known as the 'transition to a low carbon economy' and creates climate-related opportunities.

Climate-related opportunity refers to potential positive impacts related to climate change on an organisation. Climate-related opportunities vary depending on the region, market, and industry in which an organisation operates.

Is climate-related opportunity relevant to NFPs?

The opportunities from climate change are not necessarily obvious for NFPs. However, investment in solar panels, electrification of gas hobs, replacing high emitting, low-efficiency air-conditioning systems may lead to significant long-term cost savings in the future for an NFP. These relatively simple examples will reduce an organisation's carbon footprint and deliver long-term cost savings.

For some NFP organisations their primary purpose may be to address climate change. These NFPs can capitalise on their work by selling their knowledge to upskill other organisations or delivering paid work to support other organisations in achieving their climate action plans (such as assisting with emissions baselining work). Profits (or surpluses) from such work can be reinvested into the organisation to deliver on its purpose.

What are the key areas of opportunity for NFPs?

Although targeted at corporates, the Task Force on Climate Related Disclosures (TCFD) identifies five key opportunity areas:

- **Resource efficiency:** The reduction of operating costs by improving efficiency across an organisation's provision of services or products, buildings, machinery/appliances, and transport/mobility—in particular in relation to energy efficiency (e.g. using efficient heating and cooling solutions, LED lights, electric vehicles, retrofitting buildings with electric rather than gas, etc.). These actions will result in medium-to-long term cost savings for an organisation.
- **Energy source:** In Australia (and globally), a significant transition is underway from fossil fuels to low-emission energy alternatives such as wind, solar and biofuels. Organisations shifting their energy usage toward low emission energy sources could save on annual energy costs. Government websites like GreenPower allow organisations to access renewable energy from electricity retailers accredited by the Australian government. Those NFPs with the capital could also consider installing solar. NFPs without the capital could look to philanthropists, especially those with a climate focus, looking to invest in solar power projects.
- **Products and services:** Organisations that innovate and develop new low-emission products and services may improve their competitive position and attract greater funding from governments, funders and philanthropists who have preferences for organisations that reduce emissions.
- **Markets:** Although perhaps less relevant for the NFP sector, this opportunity refers to organisations that pro-actively seek opportunities in new markets or types of assets to position themselves for the transition to a lower-carbon economy. For example, collaborating with governments, community groups or entrepreneurs on new products or services.
- **Resilience:** This involves organisations developing adaptive capacity to respond to climate change to better manage the associated risks and seize opportunities, including the ability to respond to transition risks and physical risks. Opportunities include improving efficiency, designing new production processes, and developing new products or services.

The case studies on the following pages show how several NFP organisations are leveraging climate opportunities.

5. CONSIDER CLIMATE OPPORTUNITIES

What are climate-related opportunity metrics?

Like risk metrics, climate-related opportunity metrics are those which monitor your progress against your strategy and long-term mission. Metrics that are most relevant to your organisation should be used.

For example, a climate focused NFP might decide to sell its client expertise to corporates to help upskill the organisation and enable them to develop capability needed to implement a net zero action plan. In this instance, the NFP might set revenue targets to help reduce dependency on government funding or member contributions and then track how they are progressing against these.

Another NFP may set cost saving targets to monitor the cost savings from a switch to renewable energy sources.

By identifying these climate-related opportunities and measuring progress against them, organisations will be better placed to achieve benefits from the transition to a low carbon economy.

We suggest identifying a couple of climate related opportunities initially and measure progress against them before including more.

CASE STUDY

OPPORTUNITY

Products and services and markets

A UK football club implements a broad sustainability agenda to turn things around.

UK football club, Forest Green Rovers, in 2018 became the world's first carbon-neutral football club. After being on the brink of insolvency in 2010, with the assistance of a local entrepreneur, the club commenced a major overhaul, which included implementing a broad sustainability agenda. Key initiatives included:

- The club is entirely powered by 100 per cent green energy supply, including some directly generated on-site from solar panels on the stadium roof;
- The grass on the playing pitch is organic, meaning no pesticides or herbicides are used, and the pitch is watered entirely via rainwater;
- The club's grass is cut with a GPS-directed electric lawnmower powered by solar energy;
- The Rovers are the first football club in the world to sign up to the Eco-Management and Audit Scheme of the EU, a sustainability management scheme which requires validation by a third party auditor/verifier;
- The club has also created an 'eco-trail' at the home ground which allows visitors to view the various sustainability initiatives being undertaken.

Since 2011 the club has been measuring its carbon footprint. Between the 2017/2018 and 2018/2019 seasons the club estimated that it reduced its carbon footprint by nearly 30 per cent. Green Rover's popularity has risen significantly - from a small obscure club to having an international fan base and a quadrupling of their club's game attendance.

5. CONSIDER CLIMATE OPPORTUNITIES

CASE STUDY

OPPORTUNITY - ENERGY SOURCE

Aged Care provider utilises solar energy to save on costs and achieve sustainability outcomes

The Board of a large Aged Care provider has taken a proactive approach to transition their energy usage towards low emission energy sources by introducing solar power to achieve cost savings and support their decarbonisation efforts. The Board has also endorsed an Environmental Sustainability Statement which commits the organisation to reduce energy consumption and use renewable energy where possible, amongst other climate related initiatives.

Cost savings from the installed solar panels has provided a seven per cent better than expected ongoing operational savings in the 2020/2021 financial year, and work is underway to expand solar to all of its aged care facilities to enhance long term savings. Savings are shown in real time on communal screens in the facilities so that residents and employees can actively engage in seeing the results and residents are seeing a reduction in their utility bills.

OPPORTUNITY – RESOURCE EFFICIENCY

A theatre reduces operating costs by implementing energy efficiency measures

A theatre NFP reduced its energy use by 9.43 per cent in the period 2009 to 2011 amounting to $2,281.24 as a result of implementing energy efficiency measures which included the installation of general office lighting control including the extension of zone switching, replacement of electronic ballasts, installation of LED lights and the modification of boiling water controls, among others.

5. CONSIDER CLIMATE OPPORTUNITIES

KEY QUESTIONS AND ACTIONS

Key questions for Boards to ask themselves:

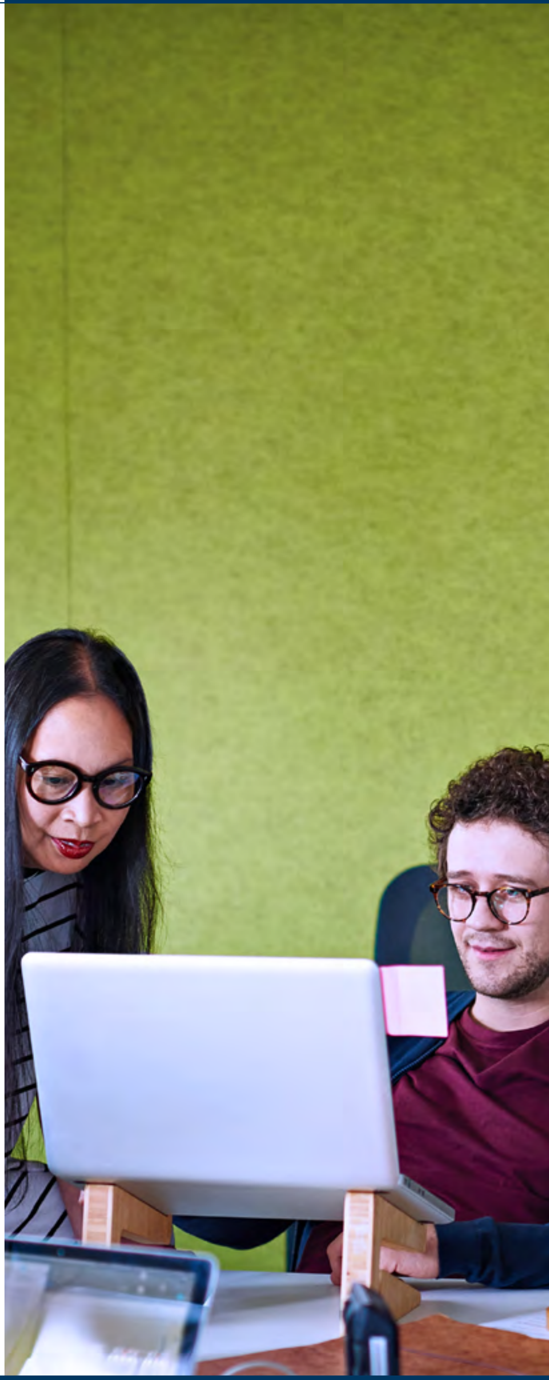
- What **opportunities** are presented by a low carbon economy?
- How can we **collaborate with members/clients and stakeholders** to fulfil our goals?

Suggested immediate actions

- Include climate on the agenda for the next strategy session. Discuss the climate considerations of the current strategy and whether this is aligned to your organisation's climate policy/commitments, risk appetite and stakeholder expectations.
- Explore alliances with other NFPs and/or corporates to help with identifying potential climate-related opportunities to pursue.
- Enhance Board capability through training and consider whether climate change related skills and knowledge should be included in the skills matrix.

Suggested longer term actions

- Invite peer organisations and or expert advisers to share perspectives and learnings.
- Consider whether more focused governance structures would assist (e.g. specific board committee focus - see AICD/HSF Guide, ***Bringing together ESG: Board Structures and Sustainability***)
- Include climate change as a strategic deep dive topic in the Board calendar to keep across opportunities.



Appendix 1

STEPS TO REDUCE YOUR ORGANISATION'S CARBON FOOTPRINT

(A) STEP 1: CALCULATE YOUR ORGANISATION'S CARBON FOOTPRINT

Free resources

CARBON EMISSIONS

Australian resources

- Carbon Neutral Carbon Calculator is an Australian tool which calculates the carbon footprint over 12 months and covers vehicles, electricity, gas, waste, water, paper, food and drink, air travel, public transport and events.
- Carbon Positive Australia is an Australian tool directed at individuals/households, but can also be applied to businesses.
- The City Switch's Computer Energy Management spreadsheet is an Australian tool that calculates the GHG and cost of computers left on overnight.

International resources

- Climate Action Toolbox, developed by the NZ government and Sustainable Business Network, provides a calculator to calculate emissions and carbon intensity during a particular reporting period. The results allow you to see your emissions breakdown, including % breakdown.
- WWF's Green Office carbon calculator (Free Trial Version) measures the carbon footprint of your workplace.

ENERGY EFFICIENCY – BUILDINGS AND APPLIANCES

- The NABERS rating calculator is an Australian tool that provides information on how energy efficient your building or tenancy is.

WASTE

- City Switch's simple waste assessment tool is an Australian tool that provides a quick snapshot of office waste generation and recycling rates (visual approximation only required).
- Zero Waste Scotland's waste and recycling tracking spreadsheet allows business to keep track of waste.

Paid resources

- The Carbon Trust – Footprint Manager
- Doconomy – The 2030 Calculator
- Compare your Footprint
- Footprinter (product design and operations)
- Greenstone's sustainability and environmental reporting
- Ecometrica Sustainability Reporting & Management Software
- Carbon Desktop
- ENGIE Impact Energy and Sustainability Management Platform
- Climate Clever

Sector specific

ARTS, ENTERTAINMENT AND RECREATION

- **Greener live performances** is an Australian initiative to improve the environmental sustainability of SMEs in the Australian performing arts industry. It has free **Greenhouse Gas calculator** to estimate the GHGs of live events.
- **The Gallery Climate Coalition** is a global group of arts organisations seeking to reduce the sectors Co2e emissions by a minimum of 50 per cent by 2030 and promoting zero waste. Their website has a **free** carbon calculator designed specifically for galleries and those in the creative arts industry.
- **WeareAlbert** offers a **free** carbon calculator and Carbon Action Plan designed for those operating in the film production industry (free but you need to register to use).
- **Greenshoot** provides paid carbon footprint assessments and offsetting for those in the film industry.

(B) STEP 2 COMMIT TO REDUCE EMISSIONS BY SETTING MEDIUM-TO-LONG TERM TARGETS – EXAMPLES

Set out below are existing climate commitments that NFPs could consider adopting. We have intentionally provided resources that are focused on entry-level resource-light commitments, rather than more detailed commitments that require significant resources, such as the Corporate SbTi standard, the UN Race to Net Zero, etc.

SMES

- **The SME Climate Commitment**:
  1. Halve GHG emissions before 2030
  2. Achieve net zero emissions before 2050
  3. Disclose progress on a yearly basis

SPORTS

- **UN Sports for Climate Action**: This initiative aims at supporting and guiding sports organisations to achieve global climate change goals.

ARTS, ENTERTAINMENT AND RECREATION

- **Gallery Climate Coalition**: This resource offers examples for how arts organisations can reduce their carbon footprint.

(C) STEP 3: PREPARE SHORT-TERM TARGETS AND METRICS – EXAMPLES

ENERGY

- 100 per cent of energy to come from renewable sources by 2025. *In Australia, the easiest way to switch to renewable energy is to ensure your energy is from **Greenpower** accredited products, which are sold by most energy providers. A list of these products is available **here**.

TRANSPORT

- Reducing emissions from business travel by 50 per cent by 2025 relative to the 2022 baseline.
- Reducing business air travel by 20 per cent (i.e. for every 10 flights taken, find alternatives for the two remaining flights).
- 70 per cent of all owned or leased vehicles to be electric by 2025.

WASTE

- Reducing kg of waste sent to landfill by 40 per cent by 2025 relative to the 2022 baseline.

WATER

- Reducing water consumption by 20 per cent by 2025 relative to the 2022 baseline.

(D) STEP 4: IMPLEMENT ACTIONS TO ACHIEVE TARGETS – EXAMPLES

ENERGY USE AND EFFICIENCY

- Sign up to City Switch for free, a program which seeks to brings together and provides resources and support to office-based businesses to reduce emissions.
- Install motion sensors or dimmers to turn lights off when not in use.
- Update lights to LED.
- Replace old appliances with those with higher energy efficiency (using the Energy Rating Star system, each extra star is an increase of 20 per cent in energy efficiency).
- Insulate your walls, ceilings and floors.
- Adjust your A/C by one degree warming in summer and one degree cooler in winter can save up to 10 per cent on energy bills.
- Install solar panels.
- Replace gas heating with electric heat pumps in buildings.
- Install timers to ensure appliances run only when required.
- Activate automatic sleep mode on printers, personal computers, monitors, and copiers to reduce the amount of energy being used.
- Install energy efficient windows.

TRANSPORT

- Install bike racks outside the office.
- Prioritise rail and bus transport over air transport for domestic travel.
- Replace old internal combustion engine (ICE) cars with electric cars.

WASTE

- Ban single-use plastics in the office and for any business events.
- Purchase recycled paper only.
- Set double-sided printing as the default.
- Recycle coffee capsules.
- Recycle used printer cartridges as part of the Cartridges 4 Planet Ark Workplace Collections program.
- Recycle used batteries as part of the Batteries 4 Planet Ark program.

WATER

- Provide drinking fountains to reduce bottled water.
- Install water saving taps, shower heads, flow restraints, temperature controls and timers to reduce amount of water being used and wasted.
- Upgrade to high start rated tap fittings (tap fittings that use water are now star-rated, with a maximum of 6 stars).

SUSTAINABLE SUPPLY CHAINS

- The Department of Climate Change, Energy, the Environment and Water's self-assessment tool for opportunities for sustainable procurement allows businesses to identify sustainability opportunities when procuring goods and services.
- Undertake a sustainable procurement plan by completing this template provided by the Department of Agriculture, Water and Environment.
- When purchasing goods and services, buy from sustainable suppliers. Databases which list these include: Good Environmental Choice Australia Product Database, Buy Recycled Directory, Planet Ark's Recycled products Directory, the Institute for Sustainable Events and Greenshoot Pacific's Sustainable Event suppliers database, wood products certified by the Forest Stewardship Council.
- Prioritise food choices that are Fair Trade, local and seasonal.

Sector specific guidance

ARTS, ENTERTAINMENT AND RECREATION

- Adopt the Climate Active Carbon Neutral Standard for Events.
- Greener live performances was a project developed by Live Performance Australia and funded by the Queensland Department of Environment and Heritage Protection, which ran from September 2011 to March 2013. The website has developed factsheets, checklists, kits, templates and case studies to help the entertainment industry find ways to reduce operational energy costs for outdoor events, production and touring and venues.
- The City of Melbourne has created a sustainable event guide and checklist that includes planning templates in respect of energy efficiency, water and waste management, travel planning, product purchasing and food and drinks. It also features a number of case studies of sustainable events.
- The Institute for Sustainable Events has paid training, templates and checklists available to host and manage sustainable events.
- The Green Events Tool is web-based assessment platform developed, hosted and maintained by the UNEP, the UNFCCC secretariat and the Gulf Orgnisation for Research and Development. You must register to use, with resources including an event sustainability checklist, carbon footprint calculator and (optionally), green building practices.
- Green Music Australia provides resources to musicians and those in the music industry to become more environmentally sustainable. It has developed a climate pledge for music festivals called 'Party with the Planet' that can be signed by artists, festival organizers and fans.
- The RAW Foundation and Kambe Events have released 'The Making Waves Guide to Plastic-Free Festivals and Events'.

SPORTS

Adopt the following standards for your sporting NFP or event:

- Responsible Sport Standard for Organisations.
- Responsible Sport Standard for Events.
- the International Organisation for Standardization (ISO) standard IOS 20121:2012 for Sustainable Events.
- The Charter of 15 Environmentally Responsible Commitments of Major Event Organisers and Managers of Large-scale Sports Facilities and Venues.

MUSEUMS AND GALLERIES

- The Practical Guide for Sustainable Climate Control and Lighting in Museums and Galleries and an assortment of case studies were published by various federal and state Australian museums and gallery bodies and provides tips for implementing energy efficiency measures in museums and galleries. The Technical Industry report on Museum and Gallery lighting and Air Conditioning also provides some helpful guidance.

Worked example:

STEP 1: CALCULATE YOUR ORGANISATION'S CARBON FOOTPRINT

Set out below is a summary of a hypothetical NFP's GHG emissions. This NFP's material emission sources were identified and categorised as follows:

EMISSIONS SCOPE	EMISSIONS SOURCES	CARBON FOOTPRINT FY22 (tonnes)
Scope 1	Stationary Combustion	955
	Fugitive Emissions	1
	Mobile Combustion	3
Scope 2	Electricity	6,107
Scope 3	Air Travel	45
	Water	67
	Waste & Recycling	310

Emissions sources included capital goods, fuel & energy activities, downstream/upstream transportation & distribution, business travel (land and hotels), employee commuting, upstream leased assets, processing/use/end of life treatment of sold products, downstream leased assets, franchises and investments.

STEP 2: COMMIT TO REDUCE EMISSIONS BY SETTING MEDIUM-TO-LONG-TERM TARGETS.

The NFP has proposed halving absolute Scope 1 and Scope 2 emissions by 2027. This will be taken to the Board to be endorsed.

STEP 3: PREPARE SHORT-TERM TARGETS AND METRICS

Management prepared a paper setting out short-term targets, which will be taken to the Board for approval. These short-term targets include commitments to:

- Upgrade to 100 per cent renewable electricity.
- Build Board and Executive climate competencies.
- Reduce non-essential business travel.

STEP 4: IMPLEMENT ACTIONS TO ACHIEVE A REDUCTION IN ENERGY CONSUMPTION.

The NFP has prepared a range of possible actions to commit to, which include:

- Implement lighting control strategies (e.g. maximise daylight use, minimise lighting power density).
- Use technology solutions to optimise heating, ventilation and air conditioning systems.
- Implement minimum energy efficiency standards for all new appliances, using the Energy Rating Star system.
- Ensure regular maintenance of equipment.
- Increase thermostat settings in summer and reduce them in winter to achieve energy efficiencies.
- Review office operating hours.

Appendix 2

ADDITIONAL RESOURCES AND GLOSSARY OF TERMS

ADDITIONAL RESOURCES

Introduction

- How to Set Up Effective Climate Governance on Corporate Boards: Guiding Principles and Questions (WEF)
- Climate Governance Risk Guide (AICD/MinterEllison for CGI)
- The Paris Agreement (United Nations)
- What is Climate Change (United Nations)
- What is Net Zero (United Nations)
- Net Zero by 2050 Pathway (International Energy Agency)
- State of the climate - Australia (CSIRO & BoM)
- Why the climate is changing (CSIRO)
- Climate Infographics (Climate Council Australia)
- Climate Compass - Climate Risk Management Tool (CSIRO & Department of the Environment and Energy)
- What investors expect of company directors on climate risk (Investor Group on Climate Change)

1. Understanding and improving your carbon footprint

- Scope Emissions Explained (Chapter Zero UK)
- Greenhouse Gas Protocol
- A decarbonised future: what net zero actually means for your Board (PwC/Climateworks Centre)
- The Building Blocks to Net Zero (PwC/Microsoft)

2. Adhering to the rules on climate change

REPORTING

- International Sustainability Standards Board
- Enhancing Not-For-Profit and Charity Reporting - Part A: Enhancing Performance Reporting (Institute of Chartered Accountants Australia)

DISCLOSURES

- Task Force on Climate-related Disclosures
- Task Force on Nature-related Disclosures
- Climate Risk Governance Guide (AICD/MinterEllison for CGI)

GREENWASHING

- How to Avoid Greenwashing (ASIC)
- Greenwashing webinar (AICD/MinterEllison for CGI)
- Beware the Risk of Greenwashing (AICD)

3. Ensuring your organisation is in tune with stakeholder sentiment on climate change

- The Chairperson's Guide to Climate Stakeholders (WEF/Deloitte for CGI)
- Elevating Stakeholder Voices to the Board - a Guide to Effective Governance (AICD)

4. Ensuring you're prepared for the impact of climate change on your organisation

- Climate Governance Risk Guide (AICD for CGI)
- Recommendations of the Task Force on Climate-related Financial Disclosures
- Task Force on climate-related Financial Disclosures; Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures
- How to Set Up Effective Climate Governance on Corporate Boards: Guiding Principles and Questions (WEF)

5. Ensuring your organisation benefits from the transition to a low-carbon economy

- Task Force on Climate-related Disclosures
- How to Set Up Effective Climate Governance on Corporate Boards: Guiding Principles and Questions (WEF)

GLOSSARY OF KEY TERMS

Break down of key terms referenced in this guide

Carbon Neutral - Refers to when carbon emissions are balanced by the equivalent amount of carbon emissions being removed, which results in no net carbon emissions released. This is usually achieved with carbon offsetting.

Climate-related opportunity - Refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates as outlined in the Task Force on Climate-related Disclosures (TCFD).

Climate-related risk - Refers to the potential negative impacts of climate change on an organisation. The two main types of climate-related risks are physical and transition risks, as outlined in the Task Force on Climate-related Disclosures (TCFD).

Greenhouse gases (GHG) - Refers to gases in the atmosphere absorb and emit infrared radiation in the wavelength range emitted by earth. In simple terms, they prevent heat that sunlight brings from leaving the atmosphere, heating the earth's temperature when the concentration rises. Common GHGs include water vapor, carbon dioxide, methane and nitrous oxide. The Greenhouse Gas Protocol provides further context.

Greenwashing - Refers to the actions of a company which give the impression that their investments, products or services are more sustainable and environmentally friendly than they really are. Greenwashing is merely a 'tick box' for marketing and reputational purposes. The AICD article 'Beware the Risk of Greenwashing' goes into further detail.

Net Zero - Refers to when GHGs are balanced by the equivalent amount GHGs being removed, which results in no net GHGs released.

Paris Climate Agreement - Refers to the legally binding international treaty on climate change, agreed under the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in 2015. It was negotiated and adopted by 196 Parties, and its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. The United Nations provides further information.

Physical Risk - Refers to risks emerging from climate change. There are two types of physical risk, acute, relates to immediate and event driven risks (e.g. floods and fires) and chronic, which relates to longer-term shifts in climate patterns (e.g. rising sea levels). The TCFD final report provides further context.

Scenario Analysis - Scenario analysis is a process for identifying and assessing the potential impacts of a range of plausible future states due to climate risks. Scenario analysis enables organisations to explore the full potential extent and impact risks, as well as the organisation's ability to mitigate of these risks. The TCFD final report provides further context.

Science-Based Target Initiative (SBTi) - Refers to clearly defined pathways to reduce greenhouse gas emissions which are in line with what the latest climate science deems necessary to pursue efforts to limit global warming to 1.5 degrees Celsius. The SBTi website shows how organisations can set their own SBTi.

Transition Risk - Refers to risks of indirect impacts from issues relating to the climate transitions. There are four broad categories; policy and legal (e.g. policy constraints on emissions, imposition of carbon tax), technology (e.g. new sources of renewable energies) market (e.g. demand for energy higher than supply), and reputation (e.g. consumer shift away from high carbon activities). The TCFD final report provides further context.

Task Force on Climate-related Financial Disclosures (TCFD) - Refers to the industry-led Task Force to develop climate-related discourses that promote more informed investment, credit lending and insurance underwriting decisions. This provides a standardised and generally accepted global financial framework for reporting climate risks. The TCFD final report provides further context on the disclosures.

United Nations Climate Change Conference (COP) - Refers to yearly conferences held by the UNFCCC with its 197 member parties to assess progress in dealing with the threat of climate change. The United Nations provides more information.

Further relevant key climate terms can be found on the CGI website.

Key contributors

The AICD would like to thank those at PwC Australia and the NFP community for providing their time and knowledge to the creation of this climate governance guide.

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About us
The Australian Institute of Company Directors is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership includes directors and senior leaders from business, government and the not-for-profit sectors.

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