Climate Governance Initiative Australia

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Climate Governance Study 2024

MOVING FROM VISION TO ACTION

MARCH 2024

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CLIMATE GOVERNANCE INITIATIVE AUSTRALIA

The AICD is the proud host of the Climate Governance Initiative Australian chapter. The Climate Governance Initiative (CGI) seeks to mobilise boards around the world to accelerate the net zero transition. The CGI is active in 71 countries and brings together a global network of 30 chapters that promote the World Economic Forum (WEF) Climate Governance Principles for boards within their jurisdictions.

As part of the global network, CGI Australia works constructively to engage and educate the Australian director community, informed by the best possible advice and practitioners in the field of climate governance. We aim to activate the director community through education based on the WEF principles as adapted for Australia, and through strategies for embedding climate considerations into Australian boardroom decision making.

As the long-term stewards of Australian organisations, directors have a vital role in addressing the issue of climate change to ensure a sustainable future and a robust, competitive Australian economy. Through CGI Australia, the AICD encourages non-executive directors to serve as advocates within their boards for the adoption of strategies aligned with the best-available recommendations of the scientific community. This includes achieving net-zero carbon emissions by 2050 or earlier, consistent with limiting global average temperature rise to 1.5°C above pre-industrial levels.

Since 2021, the AICD, together with CGI Australia partner organisations, have released a series of climate governance resources tailored and educational courses to support directors build their climate competency. We also produce the monthly Climate in Focus newsletter, run annual Climate Governance Forums and host topical webinars. Find out more on our website.

Major CGI Australia reports include:

- A director's guide to mandatory climate reporting (2023)
- Climate change science snapshot (2023)
- Biodiversity as a material financial risk (2023)
- Climate governance for NFP directors (2023)
- Climate change and organisational strategy (2023)
- Bringing together ESG: Board structures and sustainability (2022)
- Climate risk governance guide (2021)
- Climate Governance Study: Risk and opportunity insights from Australian directors (2021)

CEO foreword

This report comes at a critical time in domestic and global efforts to tackle climate change and keep the Paris Agreement goal of limiting global warming to 1.5°C within reach.

This year's *Climate Governance Study 2024: Moving from vision to action*, paints a complex picture of Australian director community attitudes and practices.

What is clear though, is that climate change is now firmly embedded as a mainstream boardroom agenda item with directors seeking to act on both the risks and opportunities posed by the move to a net zero economy.

The study reveals directors' growing commitment to addressing climate change at an organisational level, while being clear-eyed about the long-term investment and board and management focus that will be required to chart credible transition pathways.

This will require open and robust conversations between organisations, their investors/members, stakeholders and governments at all levels, about the necessary trade-offs. Having an enabling policy environment will be key – one that promotes investment, overcomes regulatory obstacles to collaboration, and supports the development of new industries and technologies that will be critical to our national prosperity.

As Australia readies for mandatory climate reporting, this study illustrates the current state of the market, while highlighting better governance practices being adopted by leading boards.

The AICD acknowledges the fast-moving climate landscape and the ever-rising stakeholder and regulatory expectations of directors.

Our hosting of the Climate Governance Initiative (CGI) Australia, and production of tailored resources, events and educational offerings, underscores our commitment to support directors in this critical area of contemporary governance.

The insights gained through this study will inform our ongoing efforts to lift climate capability in Australian boardrooms and advocacy for well-targeted policy settings that reflect the complex market dynamics at play.

We thank the CGI Australia Advisory Council, and our partner organisations, for their ongoing support, including Pollination for their valued collaboration with us on this report.

Mark Rigotti MAICD
CEO & Managing Director, AICD

About this study

This report *Climate Governance Study 2024* is the second released by the Australian Institute of Company Directors (AICD) and builds on the insights of the inaugural **2021 climate insights study**.

The intention of this study is to act as a 'temperature check,' assessing how perspectives and actions on climate governance are evolving among the Australian director community.

The study draws on a survey of members, along with interviews and roundtable discussions with 24 senior non-executive directors.

SURVEY

The AICD ran an online survey of 1,057 AICD members from 14 August – 8 September 2023. Results have been weighted to reflect the AICD's 51,000 members by age and gender.

INTERVIEWS AND GROUP DISCUSSION

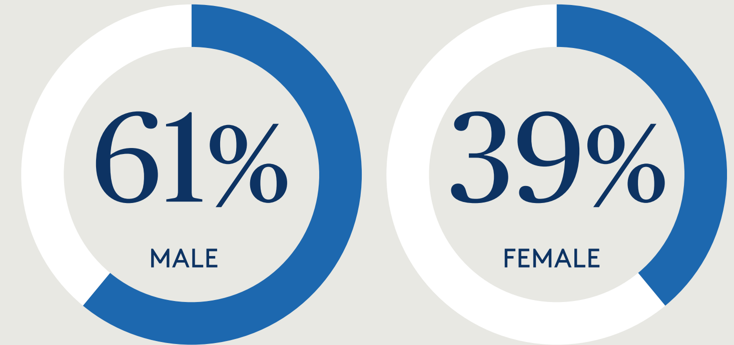
The AICD, with Pollination, interviewed 13 senior non-executive directors and chairs operating in various sectors to explore their experience and perspectives.

The AICD also conducted roundtable consultations with 11 senior non-executive directors and chairs of board committees that consider and advise large and/or ASX listed companies on climate-related issues.

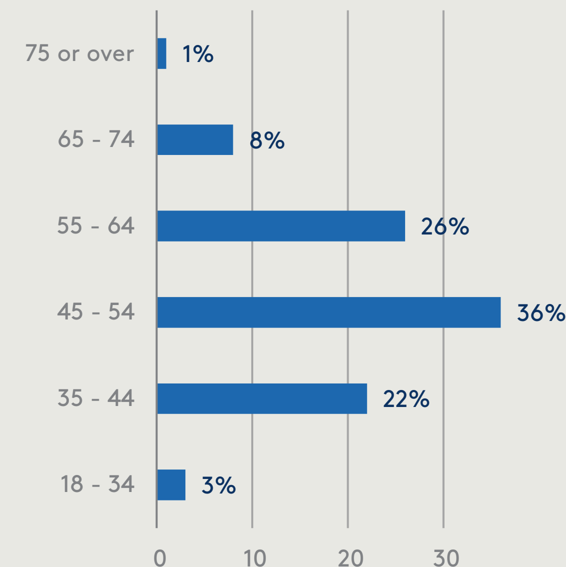
For the report methodology and participant names see Appendix B. Survey questions are available in Appendix C.

SURVEY DEMOGRAPHICS

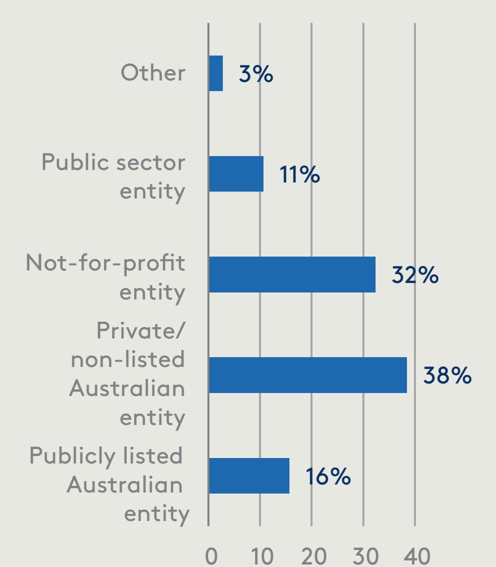
1,057 RESPONDENTS



AGE



SECTOR



Executive summary

In 2024, Australian directors are intensifying their focus on climate change, yet organisations face growing challenges in executing their strategies.

Despite several years of significant strategic and economic challenges, the vast majority of directors see climate as a material governance issue. This is up from already-high levels in 2021 when the AICD first assessed director perspectives.

A clear majority of directors believe their boards should pay more attention to the subject. Interestingly, directors observe changing risks, with physical climate risk increasingly prominent. Alongside climate, nature-related issues are growing in importance, with half of directors recognising these as material risks to their organisations.

Despite rising priority, this study finds fluctuating levels of board and organisational activity on climate. Some of this change likely stems from directors reassessing the extent of work needed to meet certain standards. There are also demographic factors at play. Urgency is highest among the 35–44 age group, while confidence in existing approaches is lowest amongst this cohort.

Listed directors highlight the challenge of balancing transition efforts and investments in a world with diverging stakeholder interests. Prominent concerns include the challenge of justifying investment in transition, alongside the allocation of costs. In this context, directors highlighted the board's role as a mediator of short and long-term interests.

Not-for-profit and smaller companies are grappling with resource constraints as cost of living and economic concerns bite. In the government sector, directors contend with increasing demands for climate-related services – a trend projected to persist as more communities build resilience to severe weather events.

Although directors report that the stakeholder landscape is becoming increasingly diversified, rising pressure from regulators and policy makers was felt almost universally. As in 2021, this study finds unsettled policy settings to be the highest barrier to effective climate governance.

As companies prepare for mandatory disclosure requirements and heightened greenwashing scrutiny, directors caution against a narrow focus on compliance, emphasising the importance of balancing reporting requirements with substantive climate action. Legal risks loom large, with many directors seeing these risks as encouraging a cautious approach to reporting.

Climate governance is moving fast, with sustainability-related committees now more common, at least at larger companies, and there is a greater investment in developing boards' climate capability. Many directors, however, lack confidence in their ability to manage the challenges posed by climate change.

Better practices have evolved since the inaugural study. Leading directors are championing long-term outcomes in their companies, with the transition increasingly seen as an opportunity, rather than just a risk. Sophisticated boards are incentivising the full leadership teams to address climate issues, and directors highlight the benefits of presenting strong business cases for transition that connect with diverse stakeholder groups and demonstrate sustainable value creation.

This study conveys a practical message to directors but also to policy makers and investors. Policy makers are urged to clarify sectoral transition pathways, support momentum for a swift transition, remove collaboration constraints and help facilitate collective action along supply chains. Investors are encouraged to consider the full cost profile of the transition, prepare for meaningful expenditure and act as exemplars of effective climate stewardship. Supporting company transition efforts (particularly credible corporate plans aligned with the latest science) – is paramount.

Better practice and recommendations

	Emerging better governance practice	Recommendations for directors
Strategy	**Champion long-term outcomes:** • Leading directors are prosecuting long-term strategy, often in the face of short-term pressures from some investors and executives. **Look for opportunity not just risk:** • See the net zero transition as a strategic opportunity not just a risk to BAU. **Focus on both climate and nature:** • Nature is considered holistically with climate – not a siloed topic on the fringes.	• Have a clear and shared understanding at board and executive level of the level of realistic climate ambition, and over what periods. • Embed climate change considerations into the company's strategy, risk management framework, performance/pay structures and workforce planning. • Consider interconnectedness between climate and other sustainability topics such as nature and biodiversity.
Execution	**Whole of organisation approach to climate:** • Socialise and embed your transition approach across the business. • Ensure the CFO is centrally involved in climate risk and opportunity analysis, transition planning, and reporting. • Climate goals are embedded into executive pay and performance frameworks. **Credible, evidence-based transition plans:** • Grounded in the latest climate science and robust scenario analysis. • Externally validated by bodies such as the Science Based Targets Initiative (SBTi). • Clear articulation of assumptions, contingencies and dependencies to avoid greenwashing accusations. • Scrutinised by external assurance providers. • Regular review and tracking of progress.	• Develop credible, science-based climate transition plans that are embedded at an organisational, and ideally asset, level. • Adopt a strategic mindset focused on maintaining competitiveness in a decarbonised economy, rather than a compliance driven approach. • Foster climate change skills and competency across the business, including at board level.

	Emerging better governance practice	Recommendations for directors
Stakeholders	**Build a business case and an implementation plan:** • Build a strong and codified business case for transition, which is well understood by the full executive team. • Embed climate in standard company investment decision-making processes across the business. **Clear communication of transition costs and investment required:** • Clear and consistent messages to stakeholders on short term versus long term trade-offs. • Seek key investor and stakeholder support for plans.	• Build a strong, commercial and codified case for transition. • Establish regular engagement with stakeholders, including understanding the range of perspectives and interests. • Clear communication with internal and external stakeholders.
Regulation	**Build industry coalitions:** • Collaborate and share understanding and capability across value chains and industries within legal constraints. **Use mandatory climate reporting as a platform:** • New regime is a catalyst to re-assess organisational climate strategy and level of ambition • Take a strategic rather than compliance-based focus, while managing liability risks.	• Continue to build and extend understanding of the climate policy landscape for the company. Do this actively, as policy is evolving rapidly. • Actively work to understand reporting obligations, and constructively challenge management implementation plans. • Explore external assurance/validation options to provide greater confidence in organisational plans and limit liability exposure from reporting.
Governance	**Elevate governance focus:** • Boards are reviewing existing governance structures and processes to ensure that they are fit for purpose. • Beyond the sustainability committee, directors are holding joint meetings with other relevant board committees. • Climate and sustainability are now part of the regular calendar for many boards. • Organisations are investing in board and senior executive climate upskilling and briefings with experts.	• Holistically consider the adequacy of climate governance structures including use of existing board and committee structures. 'Set and forget' won't work. • Periodically undertake a robust assessment of the board's climate and transition skills. • Invest in climate change skills and competency across the business, including at board level. • Ensure alignment between executive pay and incentive structures and the organisation's climate and broader sustainability goals. • Actively consider the overlap between other sustainability issues and climate, including in governance frameworks.

Key findings

#1 AUSTRALIAN DIRECTORS CONTINUE TO PRIORITISE CLIMATE GOVERNANCE

- Concern regarding climate change risk remains high among Australian directors, despite challenges like geopolitical conflicts, inflation and economic uncertainty.
- In this study, 80 per cent of directors express concern about the impact of climate change on their organisations, a three per cent increase from 2021, while extreme concern is down slightly to 19 per cent. Notably, 70 per cent of those most concerned about climate risk also see opportunities in addressing it.
- There is a growing consensus among directors regarding climate governance as a critical issue, with 60 per cent of directors believing boards should pay more attention to it, up from 46 per cent in 2021.
- Attention to nature has emerged as priority, with half of directors considering nature and biodiversity a material risk to their organisations.

80%

of directors are concerned about climate change as a material risk

60%

of directors want their boards to pay more attention to climate

70%

of those directors most concerned about climate change also see opportunity

50%

of directors see nature and biodiversity as a material risk to their organisations

#2 MOVING FROM CLIMATE AMBITION TO EXECUTION IS A GROWING CHALLENGE

- Despite a high concern for climate change, board and organisational activities show a mixed picture.
- Less than half of listed directors surveyed are on boards with climate targets and transition plans, but this is almost double the average across all sectors (23 per cent).
- Board activity has increased in areas like reporting on climate footprint and sustainability metrics and directors undergoing training, but there is an 11-percentage point decrease in boards embedding climate change in risk management frameworks.
- Directors indicate focus is now moving from establishing governance frameworks, and developing plans, to the complexities of execution.
- Directors also emphasise a new awareness of operational challenges, including cost, which is narrowing the focus of executive teams.

43%

of listed directors are on boards with a transition plan and climate targets, compared to a quarter of directors of unlisted companies

36%

of directors are on boards that report sustainability metrics, a small increase from 33 per cent in 2021

34%

Fewer boards embed climate into risk frameworks: 34 per cent down from 45 per cent in 2021

32%

of boards have reconsidered their organisational strategy in response to climate risk and opportunity

#3 STAKEHOLDERS ARE PULLING IN DIFFERENT DIRECTIONS

- A significant challenge for directors has been short-term financial demands from some investors. This was highlighted by 24 per cent of all directors, rising to 35 per cent for listed directors.
- Directors are navigating mixed expectations from investors: some prioritise immediate returns, while others, with a longer-term perspective, emphasise sustainable growth.
- Challenges arise as directors make the case to fund climate initiatives, particularly when these impact short-term returns.
- Respondents report decreased pressure in all sectors among other key stakeholders, including lenders, employees and civil society, compared to 2021.
- Directors attribute this decrease in stakeholder pressure to more companies addressing climate issues as well as civil society actors increasingly relying on policy and regulation to drive action.

24%

of directors experience near-term business issues/demands from investor/shareholders as a barrier

35%

of listed directors experience near-term business issues/demands as a barrier to climate governance

33%

of directors experience pressure from civil society groups, down from 49 per cent in 2021 as other concerns come to the fore

Listed and government sector directors experience the highest levels of stakeholder pressure

#4 POLICY AND REGULATION ACT AS BOTH A DRIVER AND DRAG ON TRANSITION PLANS

- Forty-two percent of directors cite a lack of clear and settled climate change policy is the largest barrier to effective climate governance. A third of NFP directors and a quarter (24 per cent) of government directors are also facing time and resourcing constraints, indicating a bandwidth challenge.
- Directors highlight Australia's incoming mandatory climate reporting requirements as driving focus, with 72 per cent of those likely subject to reporting feeling 'well' or 'somewhat' prepared for the incoming requirements.
- More directors are feeling pressure from Australian regulators than in 2021, a trend most pronounced among listed companies (53 per cent) and unlisted company directors (44 per cent, up from 34 per cent).
- Directors express growing caution in setting ambitious climate goals due to greenwashing risks, heightened regulatory scrutiny and the lack of assurance capability.
- There is a call for a balanced and coordinated market approach to the overarching goal of achieving a net zero pathway for Australia.

42%

of directors cite Australian policy uncertainty as the top barrier, consistent with 2021

72%

of directors expected to be subject to mandatory climate reporting feel 'somewhat' or 'well' prepared

31%

of NFP and a quarter of government directors indicate bandwidth challenges are second only to policy as a barrier to action

53%

of listed company directors feel regulatory pressure, up from 37 per cent in 2021

#5 BOARD APPROACHES TO CLIMATE CHANGE CONTINUE TO EVOLVE

- Board approaches to climate change are evolving, but directors' confidence in their board's climate competence remains flat and has fallen in listed sectors.
- Fifty-eight per cent of all directors report they sit on boards without a committee for sustainability issues. Forty-one per cent of companies in the ASX 200 do have sustainability committees, up from 31 per cent, indicating their growing prevalence. NFPs (33 per cent) were least likely to have a board committee that considers climate change, reflecting resource and bandwidth constraints.
- Boards are increasingly conscious of the need to connect different board committees to avoid organisational responses becoming siloed and uncoordinated.
- Forty-five per cent of directors feel their board is competent in climate governance, down slightly from 46 per cent in 2021. Among listed directors, confidence has dropped from 63 per cent to 51 per cent who believe their board has the contemporary knowledge and experience needed.
- Demographic patterns emerge from the survey data. Seventy-five per cent of female directors agree their boards should pay more attention to climate change compared to 50 per cent of male directors. Concern for climate change is at the highest level in the 55-64 years age group.

26%

One in four directors are on boards that have invested in formal climate education, up from 18 per cent in 2021

74%

Three-quarters of ASX 50 board charters have regard to the environment, up from half

45%

of directors are confident in their board's competence on the topic, down from 46 per cent

75%

of female directors want their boards to pay more attention to climate compared to 50 per cent of male directors

THE POLITICAL AND SCIENTIFIC CONTEXT IS CHANGING RAPIDLY

Since AICD's inaugural **Climate Governance Study in 2021**, the Australian political landscape has shifted markedly. Climate change was a core feature of the 2022 federal election in Australia, with Australians electing a new government which promised to strengthen the country's climate change targets and policies. While the previous government had committed Australia to net zero emissions by mid-century, one of the first acts of the new government was to legislate the Climate Change Act 2022 and national emissions reduction targets of 43 per cent below 2005 levels by 2030 and net zero emissions by 2050, reflecting an increase in ambition.

Significant focus is now at a national and organisational level on delivering on those targets, and the underlying policies needed to support their attainment, particularly by the end of this critical decade.

International climate ambition has dramatically increased across the same period, with a wave of climate policies emerging to meet the goals of the 2015 Paris Agreement. The passage of the US Inflation Reduction Act in 2022 is perhaps the most prominent example of efforts underway to scale economies to effectively address the risks and opportunities presented by climate change.

The economic experience of the past few years has presented challenges on many fronts. Not least among these have been the impost of COVID-19 and subsequent recovery, geopolitical crises, and ensuing energy price shocks and supply chain challenges. Countries are today contending with high inflation, high financing costs and high commodity prices, driving rises in the cost of living for people around the world.

Globally, 2023 was **declared** the hottest year on record. The northern summer particularly has been punctuated by rolling climate-related challenges to multiple sectors and to citizens. Climate change itself is becoming an increasingly significant driver of climate action among corporates.

The experience of climate change is also shifting, placing further pressures on communities in Australia and abroad. In 2023, the Intergovernmental Panel on Climate Change (IPCC) concluded its sixth assessment cycle, releasing its **Synthesis Report**. The report details the severe consequences of rising emissions around the world and the increasingly dangerous and irreversible risks should the world fail to change course.

Under current emission reduction policies, the world is expected to see global warming reach 2.5°C to 3.0°C by the end of the century. Without an immediate and significant reduction in emissions, the global 1.5°C warming limit is **expected** to be breached in the early 2030s, or possibly at the end of this decade.

Across Australia, the consequences of climate change are already being felt at current temperatures, driving sharp increases in the severity and frequency of extreme weather events and exacerbating the impacts of La Niña and El Niño events. From 2020 to 2023, Australia experienced consecutive and protracted La Niña episodes that led to record-breaking rainfall and flooding along the east coast, while Australian summers have been defined by increasingly dangerous and erratic bushfire conditions that are expected to worsen in years to come.

The window for keeping global temperature rise below 1.5°C is narrowing. The first **Global Stocktake** under the Paris Agreement culminated at COP28 with a hard-fought deal to 'transition away from fossil fuels' in energy systems and is intended to inform more ambitious country nationally determined contributions in 2025. The **State of Climate Action** found progress towards closing the global gap in climate action remains inadequate – 41 of 42 indicators assessed were not on track to achieve their 2030 targets in 2023.

Chapter 1: Australian directors continue to prioritise climate governance

CLIMATE RISKS REMAINS HIGH ON THE AGENDA 18

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Despite two years of significant strategic and economic challenges, boards continue to prioritise climate change as a material governance concern. A growing group of directors believe their boards should pay more attention to the subject. Interestingly, the specific risks that directors observe has shifted, with physical climate risk increasingly prominent. Alongside climate, nature is increasingly featuring in boardroom discussions.

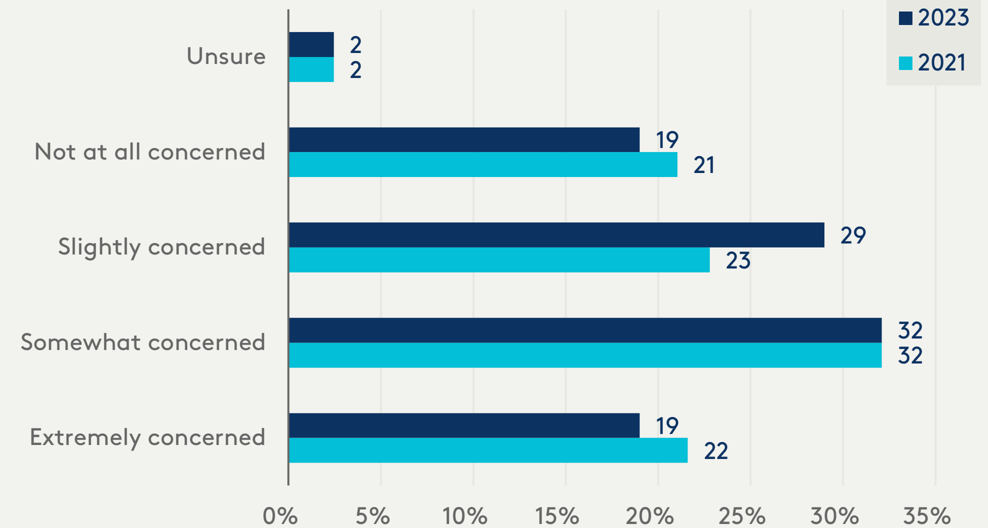
CLIMATE RISKS REMAINS HIGH ON THE AGENDA

Directors report a persistently high level of concern regarding climate-related risks. This concern remains resilient in the face of challenges posed by geopolitical conflicts, inflation and growing economic concerns.

A substantial majority (80 per cent) of directors express concern about climate change risk to their organisations, marking a modest three per cent increase from 2021, while 19 per cent articulate 'extreme concern,' a three per cent decrease (Figure 1). Elevated concern spans all sectors, with the government sector and listed company directors expressing the highest level of 'extreme concern' (22 per cent).

Policy changes and physical climate risk were the highest concern for directors in this study. When queried about specific climate risks, regulatory/political uncertainty (36 per cent), operational impacts of climate change (36 per cent), and increased insurance costs or lack of insurance availability (31 per cent) emerge as the three primary concerns among directors (Figure 2). The prevalence of physical climate risks in this year's results is notable. although there are variations across sectors (see Appendix A).

FIGURE 1: Australian director concern for climate risk is significant, but steady.

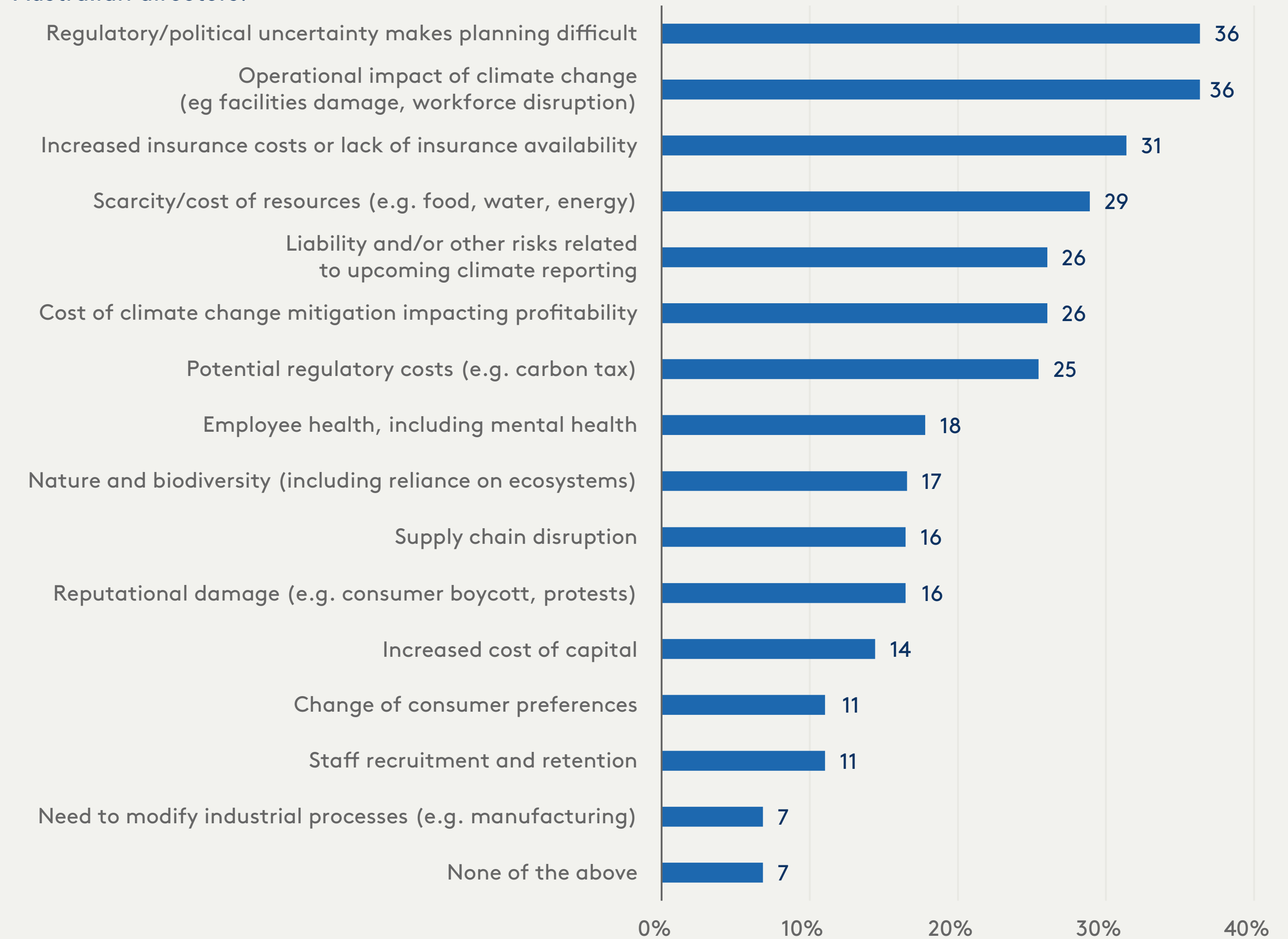


Q: How concerned is your board about climate change as a material risk to your organisation?

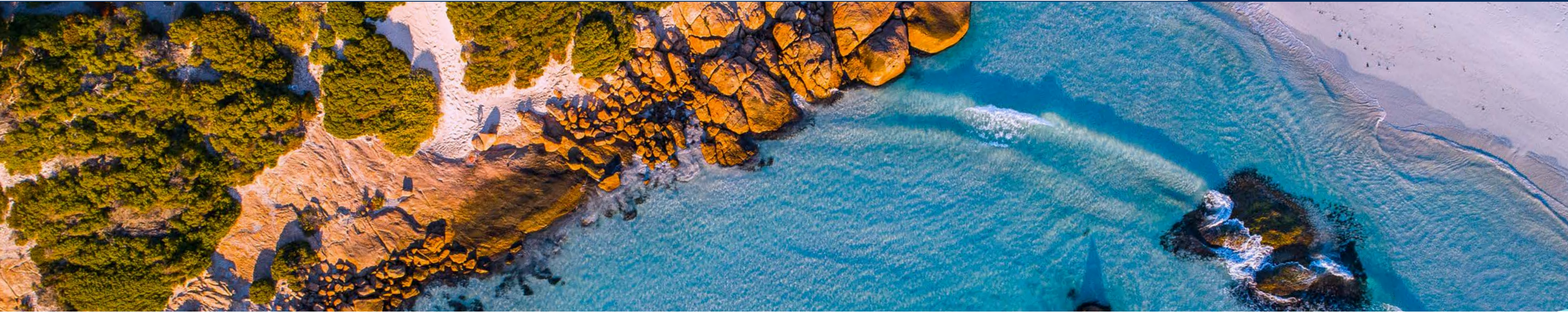
> "The emphasis on climate risk can take a lot of time. We are worried about emissions reduction and so on, but it can take board attention away from more important and devastating weather risk management issues. It's been weather risk management that's been the biggest challenge in my companies in the past 10 years."
>
> — Graham Bradley AM FAICD

> "We have moved to adaptation as a priority for resources, above emissions reduction. It's now clear the ship has sailed on emissions reduction - does not mean we should not do it - but adaptation is a priority for commercial survival."
>
> — AICD member, survey open-text response

FIGURE 2: Policy changes and physical climate risk were highest among the climate change risks for Australian directors.



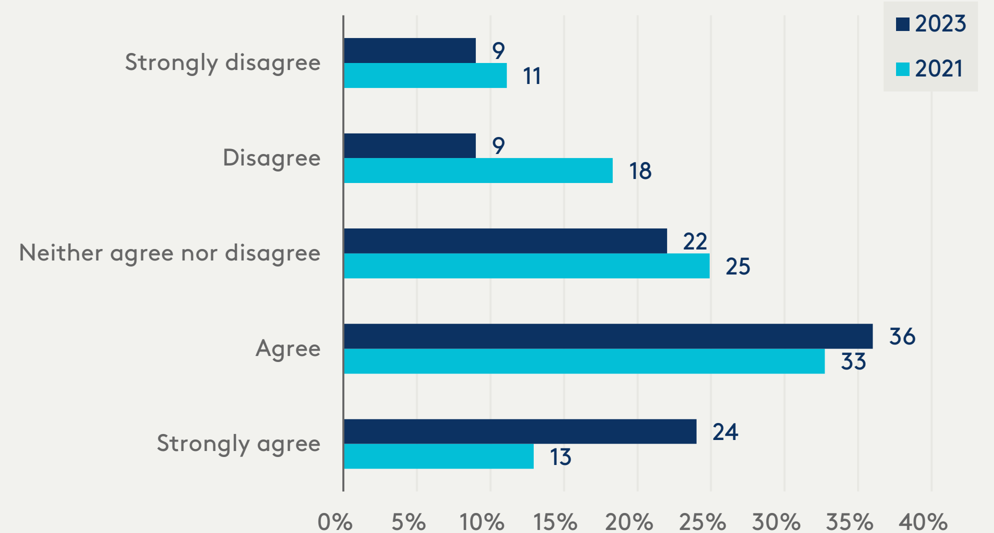
Q: What are the biggest environmental/sustainability/climate change risks that you are concerned about for your organisation? (select up to 4) (n=1,040)



MORE DIRECTORS WANT THEIR BOARDS TO INCREASE THEIR FOCUS ON CLIMATE GOVERNANCE

Directors continue to view climate as a significant priority for boards. When asked whether their board needed to increase the attention it paid to climate governance, 60 per cent of directors agreed, up 14 per cent since 2021 (**Figure 3**). There are also fewer directors in disagreement that their board should pay more attention to climate. In 2021, one in five (18 per cent) of directors disagreed that more board attention was needed for climate, which is now one in 10 (nine per cent), a further indication of increasing consensus at board level of climate as a core governance issue.

FIGURE 3: There is an increase in directors advocating for their boards to pay more attention to climate governance.



Q: To what extent do you agree with the following statement: "In my opinion, my board should increase the attention it pays to climate change governance."

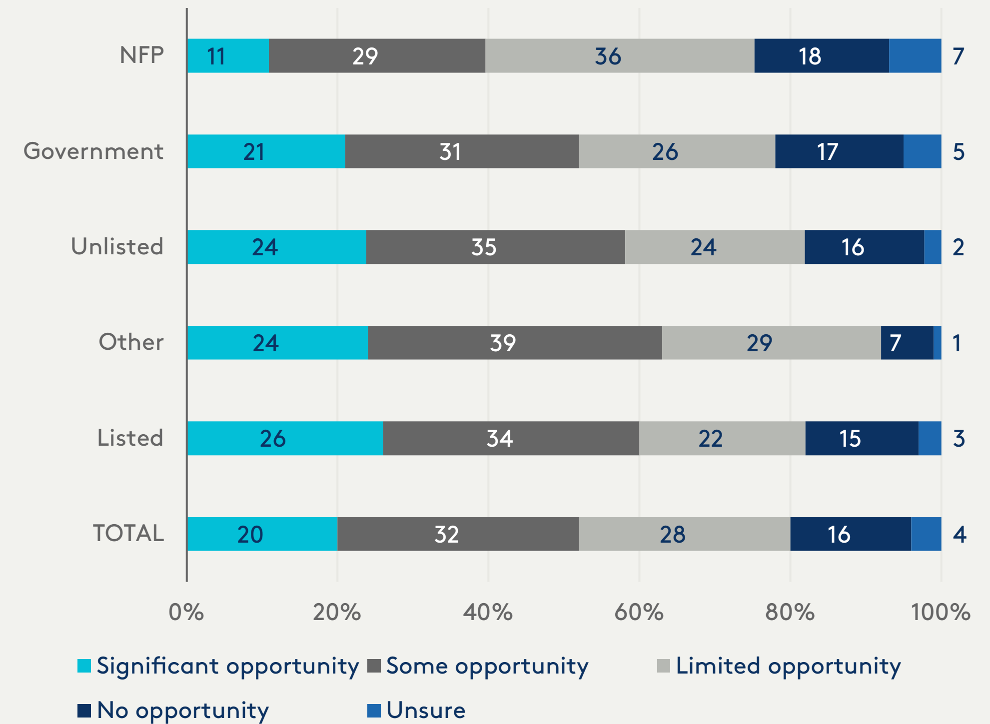
DIRECTORS STILL VIEW CLIMATE CHANGE AS PRESENTING SIGNIFICANT OPPORTUNITIES

Companies remain alive to climate opportunities. More than half of directors (52 per cent) highlighted opportunities, believing the transition to a net zero economy will provide 'significant' or 'some' level of opportunity, on par with 2021 results. Of those that perceived the highest level of risk, 70 per cent also perceived opportunity. As shown in **Figure 4**, sectors that expect the most opportunity are listed (60 per cent) and unlisted entities (59 per cent), while less opportunity was identified by government (52 per cent) and NFP (40 per cent) sectors.

Among the opportunities identified, brand recognition and reputation (33 per cent), new products and/or services (33 per cent), and measurable impact on the environment (32 per cent) were the most frequently cited (**Appendix A**).

> "Every profit centre now has climate as an implication and as a cost and as an opportunity. It's actually the shift to the opportunity that's helped elevate the issue."
> — Karen Moses FAICD

FIGURE 4: Directors across all sectors see opportunity in climate change.



Q: To what extent does your board believe that the transition to a net zero economy may provide opportunity for your organisation? (n=1,057)

> "We all know there is opportunity in climate change. The world is about to change enormously, and I think there will be few companies that cannot find a way to make money out of that change."
>
> — Teresa Handicott FAICD

Spotlight on the regulatory and policy environment – climate governance is moving fast

In 2023, the Australian Government confirmed its intention to make climate-related disclosures mandatory for large businesses and financial institutions, representing a generational change to corporate reporting in Australia. Based on the International Sustainability Standards Board (ISSB)'s climate standard, IFRS S2, it will build on the framework of the Task Force on Climate-related Financial Disclosures (TCFD). The emergence of these mandatory reporting requirements is driving more rigour to how boards assess, manage and report on climate-related risk and opportunity.

In parallel, nature has emerged as a key environmental risk for organisations to manage, with the Taskforce on Nature-related Financial Disclosures (TNFD), launching in September 2023 (post this study's survey). Although board awareness of nature risks is still in its infancy, directors can expect climate and nature-related policy and regulatory expectations to continue to accelerate.

> "Nature will follow the climate playbook, but on fast forward."
>
> — Geoff Summerhayes GAICD

Reporting and commitment frameworks are increasingly material and coordinated. To support capacity to transition to net zero emissions by 2050, there is greater coordination and convergence around sector-specific net-zero transition plans as well as supporting frameworks and metrics to measure sectoral net-zero alignment. Sector-specific alliances, such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the Net Zero Banking Alliance (NZBA), are bringing clarity and unification around climate action, consolidating emerging net zero finance initiatives to accelerate the transition to a net zero economy and coordinate the global responses to climate change.

As mandatory climate disclosures become more commonplace globally, greater coordination of standard-setting activities and compatibility between reporting frameworks is also underway. The ISSB is playing a key role in driving this, creating a global baseline for investor-focused reporting that builds on existing frameworks and standards while considering emerging from local jurisdictions.

Scrutiny of greenwashing is rising around the world, and Australia is no exception. Regulators are revealing an increasing willingness to investigate and prosecute inadequate reporting and management of climate change risks. The Australian Securities and Investments Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC) again declared greenwashing as a top enforcement priority for 2024.

This coordinated scrutiny of greenwashing has elevated the standard of care required from directors. In a 2024 statement, ASIC Deputy Chair Sarah Court FAICD said: "We expect boards to engage directly on sustainability claims – whether they are aspirational statements, targets, active stewardship commitments or investment descriptions."

Globally, there is an emerging trend of companies not providing climate disclosures – a phenomenon sometimes referred to as 'greenhushing.' According to 2023/24 research by climate consultancy firm South Pole, 58 per cent of the 1,400 companies it surveyed globally stated they were reducing their climate communications due to the practice becoming more difficult.

NATURE AND TNFD ARE COMING INTO FOCUS

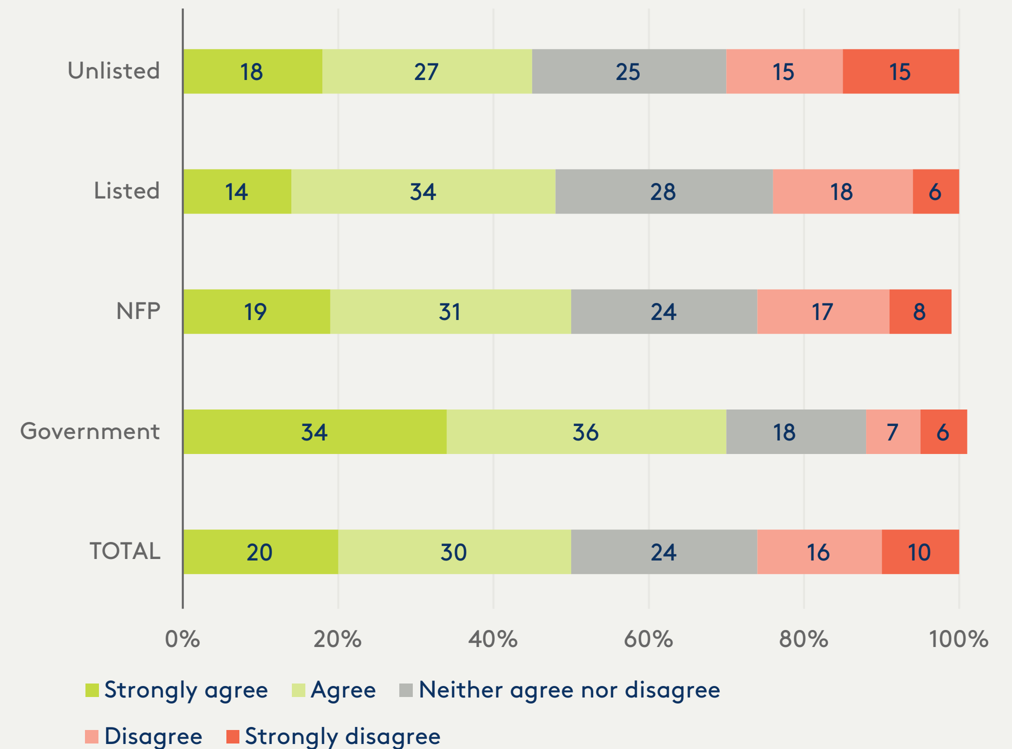
A key point of evolution in director sentiment toward climate change is the emergence of nature-related considerations. The 'nature positive' agenda has evolved in recent years, with growing recognition of the extent to which economic activity relies on nature's services, and the inherent risk and opportunity this presents to business.

A quarter (24 per cent) of respondents said their organisations had taken nature positive initiatives (see **Chapter 3**). Half (50 per cent) of directors consider nature and biodiversity a material financial risk to their organisations, representing one of the most notable areas of growth and interest for directors (**Figure 5**). Of these, directors in government sector/public service said they had by far the highest levels of concern (70 per cent), listed (48 per cent), while unlisted entities had the lowest level of concern (45 per cent). There is an interesting demographic difference in this area, with female directors significantly more likely to believe nature and biodiversity loss present a material financial risk to their organisation than male counterparts (60 per cent versus 34 per cent).

Directors shared the view that there were differences in the maturity of nature reporting, based on industry. Directors from industries with extensive environmental management requirements (such as mining companies) were more advanced in their thinking regarding nature reporting and nature impact. But, regardless of industry, directors agreed the recently concluded Taskforce for Nature-related Financial Disclosures (TNFD) framework required granular and detailed disclosure which would prove challenging even for organisations with advanced environmental management experience.

Directors noted that reporting expectations would soon extend from climate to nature and biodiversity, particularly following finalisation of the TNFD. Such expectations could be via mandatory reporting obligations and/or heightened investor focus. Although this marks an important consideration for companies, they also noted that it would add another layer of complexity to reporting and to directors' obligations.

FIGURE 5: A question regarding nature-related risks was introduced in this study, and half of directors consider it a material concern.



Q: To what extent do you agree that nature and biodiversity loss are material financial risks for your organisation (n=1,057)

Directors commonly reflected that their boards were not yet prepared for nature reporting, and in most cases have not yet considered nature's integration with climate change within the business. A board and management bandwidth challenge – with most still focused on effectively grappling with climate – was cited as preventing more detailed consideration.

> "I have been heavily involved in climate-related issues for some time, but it has only been in the last three years that I have really been attuned to the significance of nature and nature-related risk. I don't think that's an unfamiliar story." — **Geoff Summerhayes GAICD**

> “When I think about our strategic documents and our risk frameworks in the health sector, I would say that biodiversity is identified as an issue but has been lower on the list of priorities in terms of formulating direct responses.”
>
> — **Virginia Bourke FAICD**

CASE STUDY: STOCKLAND ALIGNS TO TNFD

In its FY2023 annual report and environmental management approach, property developer Stockland highlights its adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) framework.

TNFD integration and global commitment

Stockland is a member of the TNFD Forum and the Science Based Targets Network Corporate Engagement Program. In FY23, it was one of three Australian companies to take part in beta testing of the draft TNFD recommendations, and it undertook a nature risk and opportunity assessment aligned with the standard.

The company reviewed biodiversity measurement methods and developed an updated calculator to track outcomes associated with developments. Its aim was to minimise impact on threatened species and ecological communities aligned with TNFD principles, and to introduce a mitigation hierarchy in assessment and management options.

Governance evolution, from climate to nature

Stockland's climate action plan targets over 90 per cent absolute reduction in scope 1 and 2 emissions by 2025, with plans to offset residual emissions through high-quality carbon credits from nature-based projects.

Involving its board and leadership team, the company's ESG Steering Committee has adapted governance processes for nature, embedding these considerations into investment, procurement and design. Its nature strategy and roadmap are based on TNFD-aligned assessments.

Through annual reviews of targets and metrics, Stockland documents performance in the annual report and ESG data pack. The company is committed to ongoing refinement, including adjustments in FY24 now that the final TNFD framework has been released.

EMERGING BETTER GOVERNANCE PRACTICE

Champion long-term outcomes:

- Leading directors are prosecuting long-term strategy, often in the face of short-term pressures from some investors and executives

Look for opportunity not just risk:

- The net zero transition being seen as a strategic opportunity not just a risk to BAU

Focus on both climate and nature

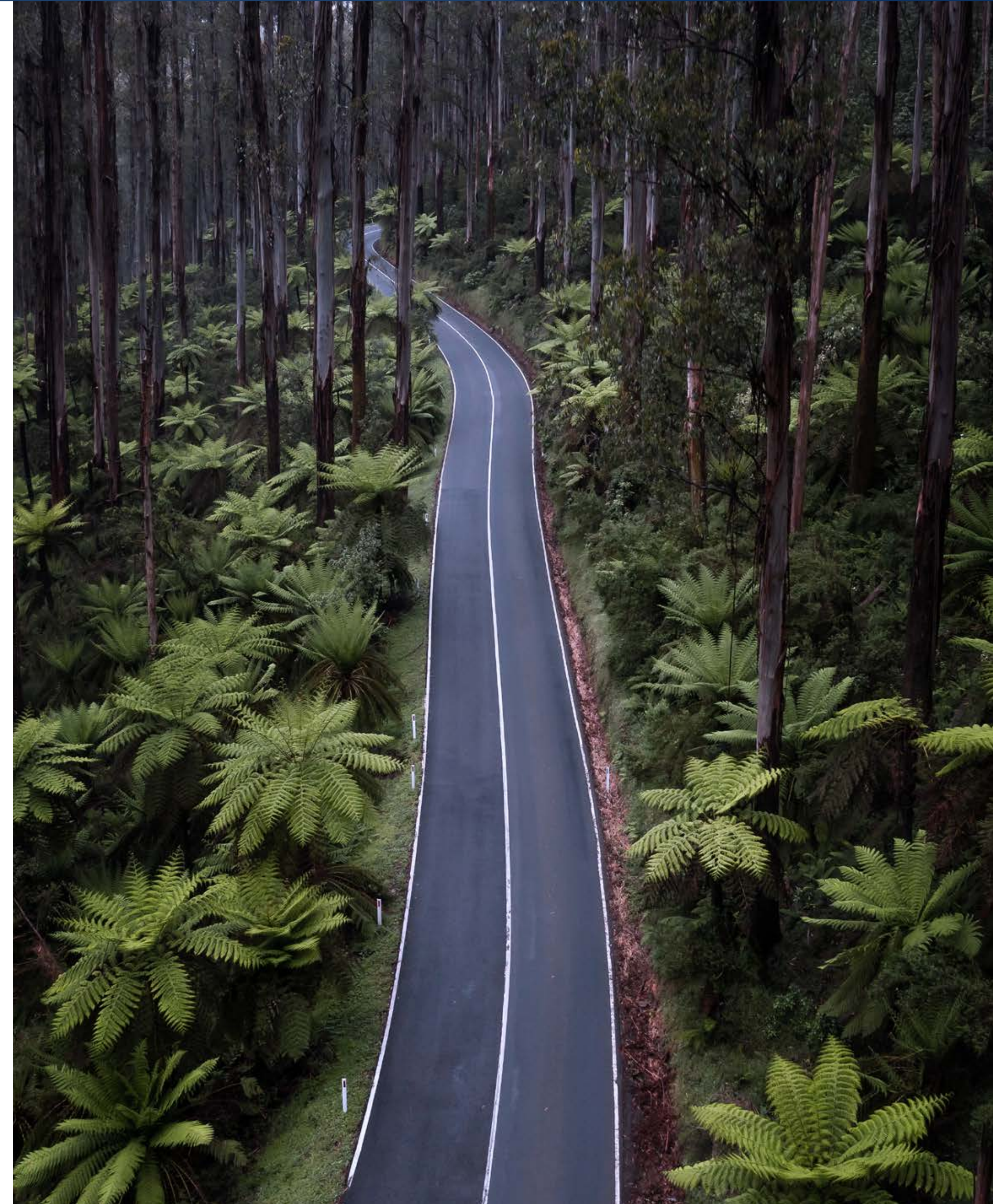
- Nature is considered holistically with climate – not a siloed topic on the fringes

RECOMMENDATIONS FOR DIRECTORS

- Have a clear and shared understanding at board and executive level of the level of realistic climate ambition, and over what periods
- Embed climate change considerations into the company's strategy, risk management framework, performance/pay structures and workforce planning
- Consider interconnectedness between climate and other sustainability topics such as nature and biodiversity

Suggested resources

- Climate risk governance guide (2021)
- Biodiversity as a material financial risk (2023)
- Climate change and organisational strategy (2023)



Chapter 2: Moving from climate ambition to execution is a growing challenge

BOARD ACTIVITY HAS RISEN IN SOME AREAS, NOT IN OTHERS 27

REPORTED ORGANISATIONAL CLIMATE CHANGE ACTIVITY IS DROPPING 30

BOARDS ARE GRAPPLING WITH IMPLEMENTING CLIMATE PLANS 32

LISTED BOARDS ARE PARTICULARLY FOCUSED ON TRANSITION PLANNING AND CLIMATE TARGETS 33

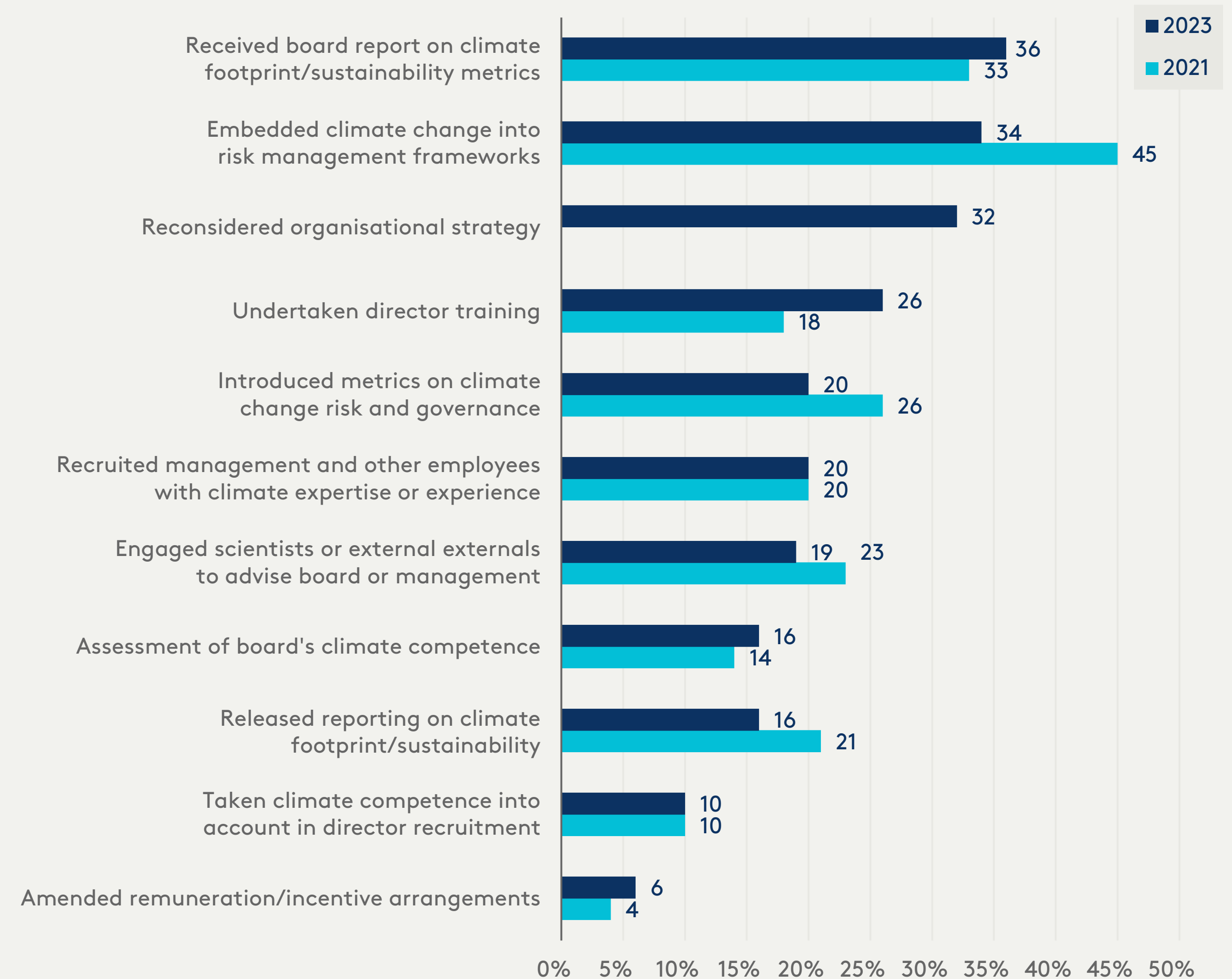
The study finds fluctuating levels of board and organisational activity on climate. Some of this change stems from director's reassessing the work needed to meet certain thresholds. However across interviews, directors highlight a broad-based move to execute transition strategies, with this effort taking up increasing attention and time.

BOARD ACTIVITY HAS RISEN IN SOME AREAS, NOT IN OTHERS

There is a mixed picture emerging of specific climate-related board practices. Compared to 2021, there is a three per cent rise in boards receiving reports on climate and sustainability metrics (to 36 per cent) and an eight per cent uptick in directors undergoing training (26 per cent). More boards are conducting assessments of board climate competence (16 per cent, up from 14 per cent in 2021) and tailoring remuneration incentives (Figure 6).

> “Over the past three years, there has been a significantly greater emphasis on climate-related issues being addressed at board level and at committee level.”
>
> — Graham Bradley AM FAICD

FIGURE 6: Board climate change activity has risen in some areas, but not in others.



Q: What steps has your board taken to respond to climate governance, risk and opportunity? [select all applicable]

However, the study showed a decline in other areas. A third (34 per cent) of directors report that climate change has been embedded into risk management frameworks, an 11-percentage point decrease from 2021. A fifth (20 per cent) of boards had climate risk metrics in place, down from a quarter (26 per cent) in 2021. This is a surprising finding and did not seem to align with other survey results such as elevated board recognition of the materiality of climate.

> "It's pretty much as I would have expected, and it's partway between not nearly enough and at least a whole lot more than where we were two years ago. It's in the middle." **— Simon McKeon AO FAICD**

In the results there is a clear distinction between listed and unlisted companies. On average, listed directors take twice as many steps to address climate risk and opportunity as NFP, and 15 per cent and 20 per cent more than government and unlisted directors, respectively (see **Appendix A**).

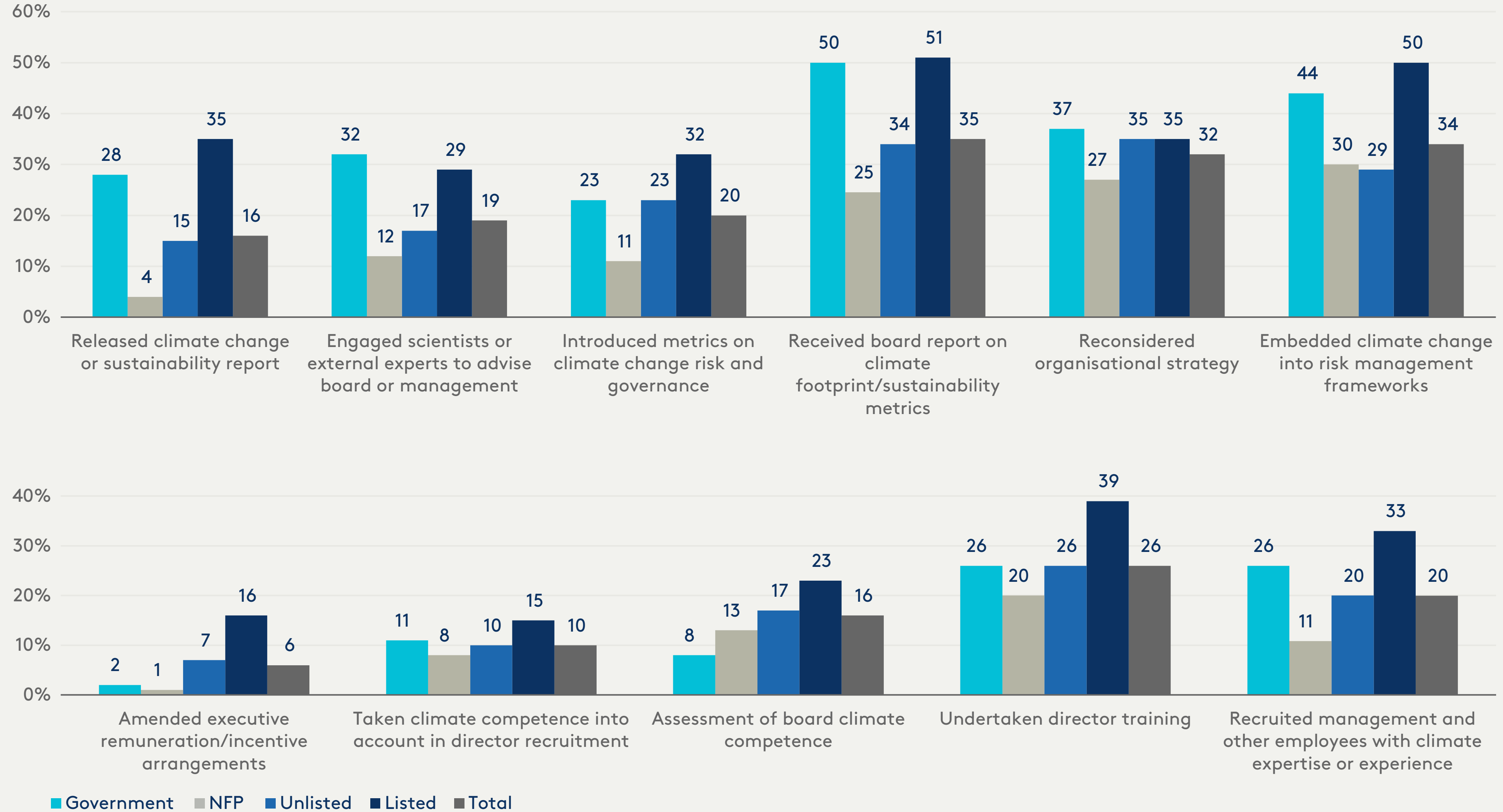
> "When you put metrics in place – it forces you to confront any issues in the review and inspection process. If you have no targets, well, you wander your way through the process, and there is no accountability, rigour or discipline." **— David Thodey AO FAICD**

Listed companies are much more likely to have embedded climate change into risk management frameworks (50 per cent compared to 34 per cent) and to have received a board report on climate and sustainability metrics (51 per cent), and metrics on climate risk and governance specifically (32 per cent). They also were more likely to release climate change or sustainability reports (35 per cent), undertake director training initiatives (39 per cent), and incorporate remuneration or incentive adjustments (16 per cent) compared to unlisted and NFP respondents (**Figure 7**).

While many listed and unlisted boards are receiving internal reporting on climate change, external sustainability reporting remains a minority activity, suggesting that companies may not have the capabilities or resources to prepare disclosures, have not yet had the need, or are wary of doing so.

> "I'm astonished that there's not a greater degree of interest, anticipation, anxiety, whatever. Reporting is going to take a company's focus on climate to a new level."
>
> **— Holly Kramer MAICD**

FIGURE 7: Listed boards, on average, undertake more climate activities than other sectors.



Q. What steps has your board taken to respond to climate governance, risk and opportunity? [select all applicable] (n=1,063)

REPORTED ORGANISATIONAL CLIMATE CHANGE ACTIVITY IS DROPPING

Reported organisational climate change actions are reported as declining on multiple fronts since 2021. Results suggested reductions in 14 of the 16 action areas surveyed in both 2021 and 2023, and across all sectors (Figure 8).

Results showed that reducing waste was the largest area of action for organisations. However, 55 per cent of respondents said they had taken steps to reduce waste, a 16-percentage point decrease compared to 2021 – perhaps suggesting the major improvements have already been realised. Similarly, declines were reported across activities as wide ranging as scenario analysis, renewable energy targets, and public policy positioning.

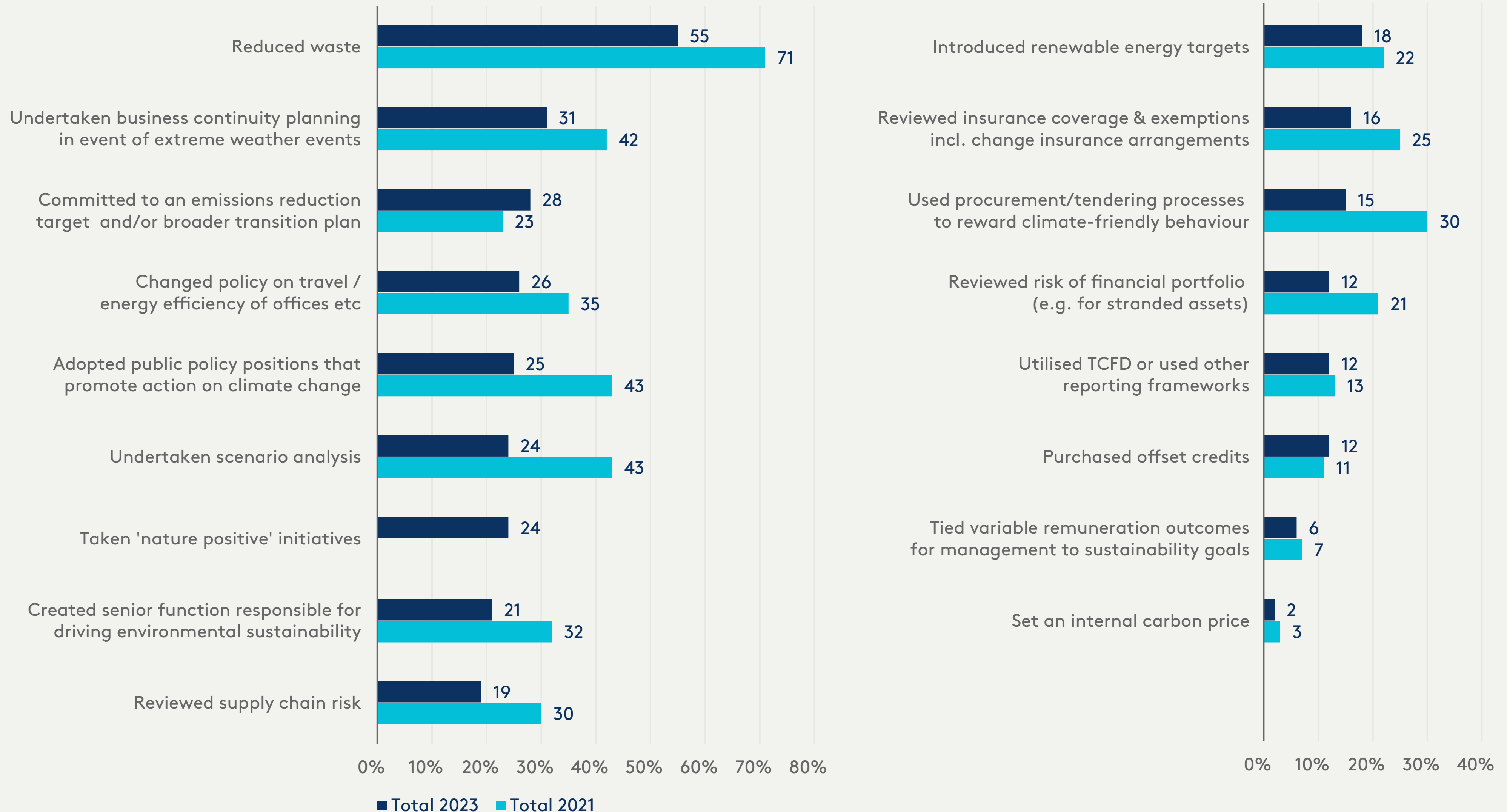
However there was a five-percentage point increase in organisations that had committed to an emissions reductions target, and a one percentage point increase in companies purchasing offsets.

The results do not clearly indicate the factors influencing the drop in reported levels of activity. The results are also somewhat inconsistent with growing levels of transition planning and climate action across the ASX.

As mentioned in Chapter 5, confidence that boards have the capabilities to respond to climate governance needs is flat and has fallen significantly among listed companies. This is despite increased activity focussed on director capability development. This suggests that many boards are revising their views of board capability and the standard of understanding required to meet stakeholder demands.

One senior listed director commented that increasingly there will be an expectation of genuine climate expertise on boards, rather than just directors who have sought to upskill themselves. In their view, expectations of director climate competency would extend well beyond the most climate exposed organisations.

FIGURE 8: Reported organisational climate change activity has reduced, compared to the 2021 study.



Q: What steps has your organisation taken to respond to climate risk and opportunity? [select all applicable]

BOARDS ARE GRAPPLING WITH IMPLEMENTING CLIMATE PLANS

There was significant director feedback that many larger companies are transitioning from climate ambition to strategy execution. A number of directors emphasised a new awareness of operationalisation challenges, including cost, which may be narrowing the focus of executive teams.

Some directors noted that climate has shifted from a reputational, ESG-focused concern, to a mainstream strategic and commercial challenge. This signals that increasingly material work is being done on the topic by executives rather than siloed in marketing or sustainability teams. It was observed by a number of directors that the level of organisational sophistication in addressing climate issues has increased, especially in large, listed entities. One ASX director commented that the CFO role was rapidly transitioning to being the 'Chief Climate Officer'.

A number of directors highlighted that their focus has moved from establishing governance arrangements to supporting their organisations to implement organisational responses. They highlighted that their current focus is on embedding climate commitments across businesses, rather than making new commitments. This aligns with survey responses: a third (32 per cent) of directors are on boards that have reconsidered their organisation's strategy in response to climate risk and opportunity (**Figure 6**).

> "I think there's a lot more considered sophistication that's going into what people are doing and what people are saying. We all use a view of what we think the carbon price will be in the future under different scenarios. But the fact is there is no carbon price currently. There is no framework for that."
> **— Kathleen Conlon FAICD**

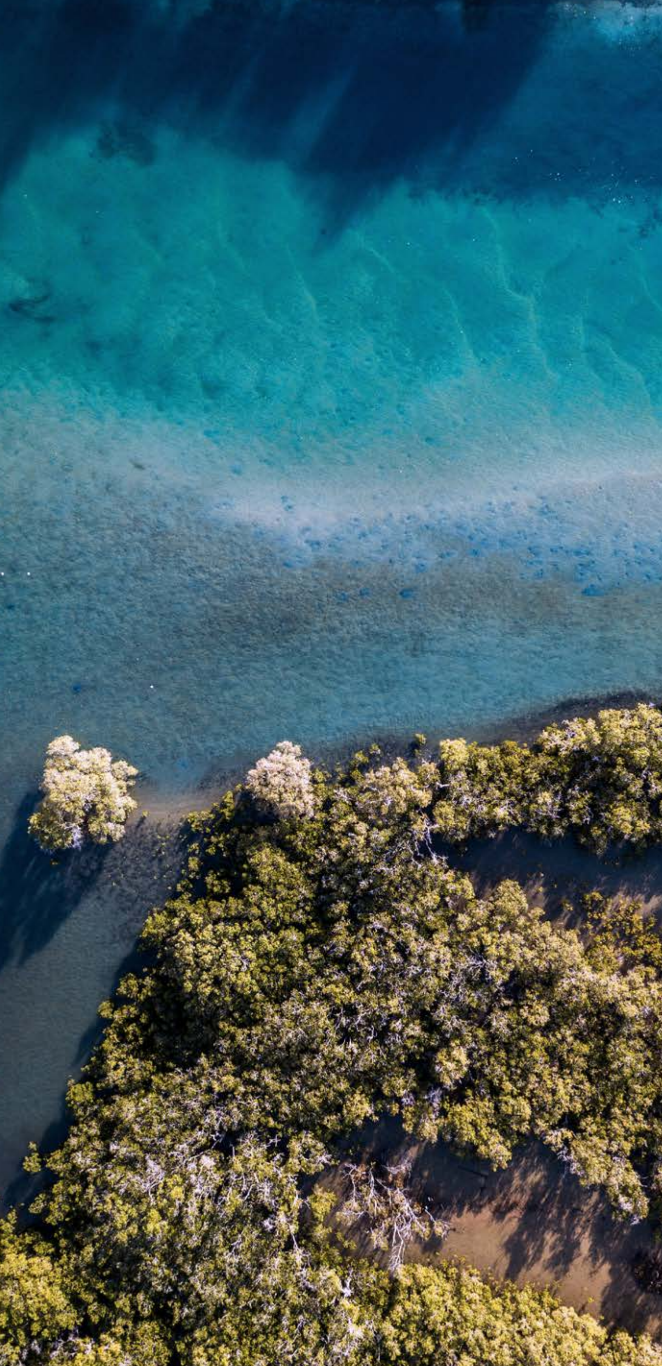
> "That earlier period when people were motivated more by marketing than reality has passed. People now realise climate action is a challenging thing to do. That's probably the reason some activity has slowed down. When they embrace these things properly, they suddenly realise it's got to be real – it can't just be something dreamed up in the marketing department."
> **— Dr Don Russell**

Climate change increasingly poses significant challenges to society which are interconnected with other challenges (such as inflation). Directors emphasised that consequently, organisations are expanding their work to encompass broader sustainability, resilience and social impact goals. The rise of the 'just transition' narrative is a good example of this shift, with its emphasis on no one being left behind in the transition from a high carbon to a low carbon economy.

Listed directors report often needing to push management, with executives sometimes focused on short term challenges rather than the longer-term. Several directors noted the role of the board in making transition a priority for their executive teams, and adjusting pay and performance targets to align with those goals.

> "In many instances we are driving the change and challenging management to implement a more robust climate strategy, with greater prioritisation."
>
> — ASX non-executive director

> "The board must answer the question: 'Do we want to have a corporate transition? Do we want to align with the Paris Agreement? Board must approve the strategic direction of the company in the first instance."
>
> — Philip Chronican GAICD



In interviews, directors expressed increasing recognition of transition costs and the growing need for viable business cases. Others emphasised long-term returns and immediate cost reductions, with some companies seeing their transition plans as increasingly well-integrated into their commercial strategy. Industry exposure influenced these views: directors in high emitting industries leaned towards cost concerns, while those in industries with revenue from sustainable products were more optimistic.

The challenge of presenting a clear business case for transition was a recurring theme, reflecting the broader difficulty of achieving economic change and securing funding within companies. Directors noted that companies are already paying for climate change, citing immediate disaster response, rising operating costs, and increased insurance burdens. These factors are amplifying the focus on transition plans, evident in the higher prevalence of physical risk among identified risks this year.

> "The hidden cost is everywhere. Take a bad summer storm. We rationalise a flight delay, a disrupted schedule. However, there is an increased frequency of such events, and the knock-on costs are significant and widespread. Wherever you look, there are these types of impacts. We need to plan accordingly."
> **— Geoff Summerhayes GAICD**

As noted in later chapters, a shift in attention (including both board and management attention) to reporting requirements may also be influencing the work pace in large, listed entities. Boards and organisations are grappling with likely new reporting standards, and directors indicate that these demands require significant time and attention. While the depth of capability in relevant teams appears to be increasing steadily, the change is generational in magnitude, with directors perceiving it as increasingly material and time-consuming for boards.

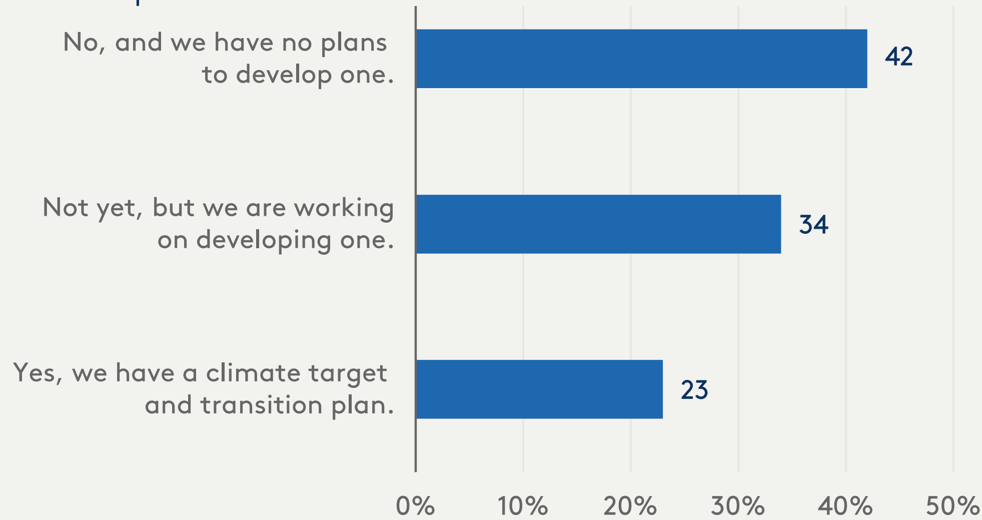
LISTED BOARDS ARE PARTICULARLY FOCUSED ON TRANSITION PLANNING AND CLIMATE TARGETS

The survey results show a rise in the level of activity around target setting among respondents, although results varied widely.

Science-based net-zero targets and transition plans are essential instruments for boards to govern the organisation's transition risk. They are important markers of this commitment to third parties, serving as evidence for stakeholders (including investors) that its business model will endure as relevant, resilient, and profitable in a net-zero economy.

Around one in four (23 per cent) boards have a climate target and a transition plan, but a larger group (42 per cent) of directors are on boards with no plans to develop a long-term climate or net zero target and transition plan (**Figure 9**). Across all sectors, listed entities (43 per cent) are the most likely to have a long-term climate target and transition plan, with governments (27 per cent), unlisted entities (25 per cent) and NFPs (10 per cent) representing a smaller likelihood (**Figure 10**).

FIGURE 9: Over half of Australian directors have, or are preparing, a transition plan.

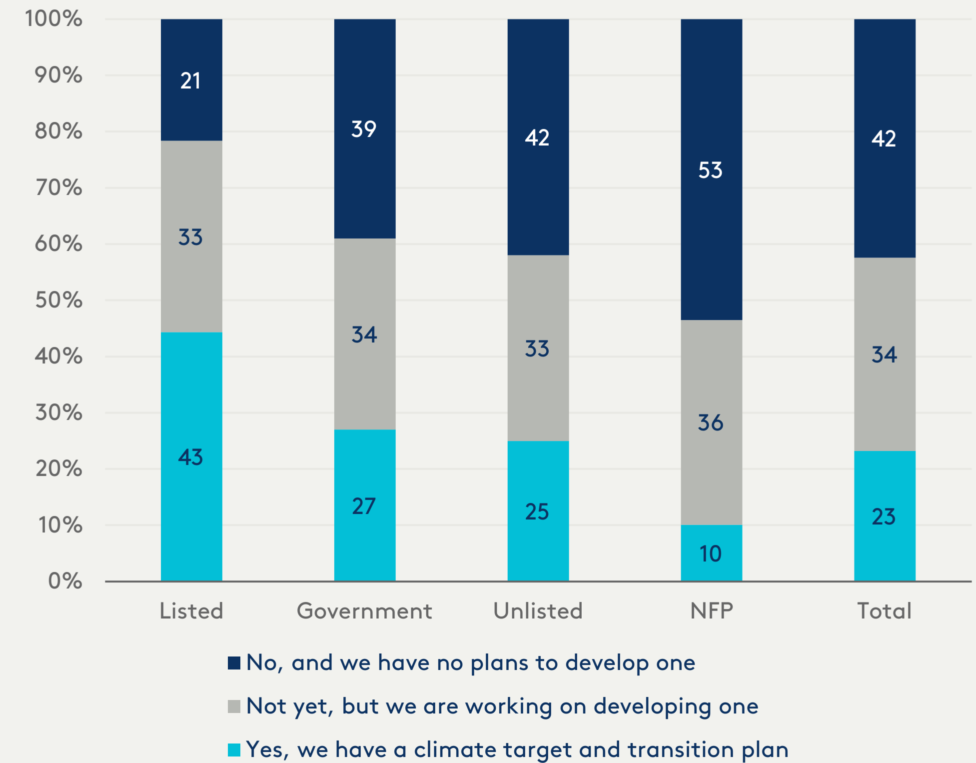


Q: Does your organisation currently have a long-term climate target or net zero target and transition plan? (n=1,057)

Four in 10 (42 per cent) of unlisted companies do not have a target or transition plan and have no intention to develop one. This compares to 21 per cent of listed companies who do not plan to have climate targets or a transition plan. This gap is expected to close as mandatory climate reporting comes into force.

> I think we have come a long way. However, it is one thing to set targets, it is another issue to implement aggressive action plans. To actually do it, and deliver outcomes, is very hard and takes rigorous and focused execution."
>
> — David Thodey AO FAICD

FIGURE 10: Listed companies are more progressed in setting climate targets and transition planning (note the survey did not stipulate 'science based' targets).



Q: Does your organisation currently have a long-term climate target or net zero target and transition plan? (n=1,057)

Spotlight on climate transition planning

The International Sustainability Standards Board (ISSB) defines transition plans as integral components of an entity's broader strategy, outlining targets and actions for a shift towards a lower carbon economy, encompassing greenhouse gas emissions reduction.

While IFRS S2 does not explicitly mandate climate targets or transition plans, it necessitates disclosure if a target is set, and confirmation if none exists. Investors and other stakeholders, however, increasingly expect comprehensive transition plans, featuring short, medium, and long-term targets, alongside clear identification of mitigation and adaptation activities.

The board assumes a critical role in overseeing the development of transition plans and providing sign-off on the accuracy of forward-looking statements made in relation to transition pathways. This involves rigorous interrogation of management, delving into assumptions, inputs, and data informing these plans and targets.

Australia's impending climate reporting regime is addressed in the Director's Guide to Mandatory Climate Reporting by AICD, Deloitte, and MinterEllison, offering insights into transition plans and disclosure requirements.

The UK's Transition Plan Taskforce (TPT) provides better practice principles. Their Disclosure Framework recommends that an effective transition plan articulates the entity's strategic ambition, outlining objectives and priorities for contributing to a low-emissions, climate-resilient economy.

> "Transition planning includes considering the transition plan for clients and might mean exiting from some client relationships. We need to be brave enough to face what is currently unpalatable to investors and in some cases, politically."
>
> — ASX non-executive director

CASE STUDY: FORTESCUE'S CLIMATE STRATEGY AND FOCUS ON 'REAL' ZERO EMISSIONS

In its 2023 Climate Transition Plan, Fortescue has committed to decarbonising its Australian terrestrial iron ore operations in the Pilbara by 2030. The goal is to achieve 'real' zero emissions by the same year, meaning no fossil fuels and no carbon offsets. From FY24, Fortescue will no longer purchase voluntary carbon offsets for scope 1 and 2 emissions in FY24, unless mandated by legislation.

In FY23, the company witnessed a five per cent increase in scope 3 emissions from FY22, influenced by a surge in shipped iron ore. The primary contributor to Fortescue's scope 3 emissions remains the production of steel from their iron ore, representing 98 per cent, driven by the current reliance on coking and thermal coal. Fortescue is actively investing in renewable electricity and green hydrogen as alternatives to accelerate decarbonisation of heavy industry, aviation, shipping and fertilisers.

The board oversees sustainability matters and receives regular updates through the Audit, Risk Management, and Sustainability Committee (ARMSC). The committee has a broader remit covering climate change, social impact, suppliers, and other ESG concerns.

Fortescue's transition plan was developed with guidance from the Transition Plan Taskforce (TPT), Taskforce on Climate-related Financial Disclosures (TCFD) and aligns with the Race to Zero initiative. The plan also positions Fortescue for the adoption of the International Sustainability Standards Board (ISSB)'s climate standard, IFRS S2, being adopted in the Australian market via incoming mandatory climate reporting requirements.

It details that, at the management level, a sustainability committee is responsible for monitoring and coordinating the company's overall response to ESG and climate change. A decarbonisation steering committee (comprising Fortescue Metals and Fortescue Energy CEOs and CFOs) endorses capital investment decisions.

EMERGING BETTER GOVERNANCE PRACTICE

Whole of organisation approach to climate:

- Socialise and embed your transition approach across the business
- Ensure the CFO is centrally involved in climate risk and opportunity analysis, transition planning, and reporting
- Climate goals are embedded into executive pay and performance framework

Credible, evidence-based transition plans:

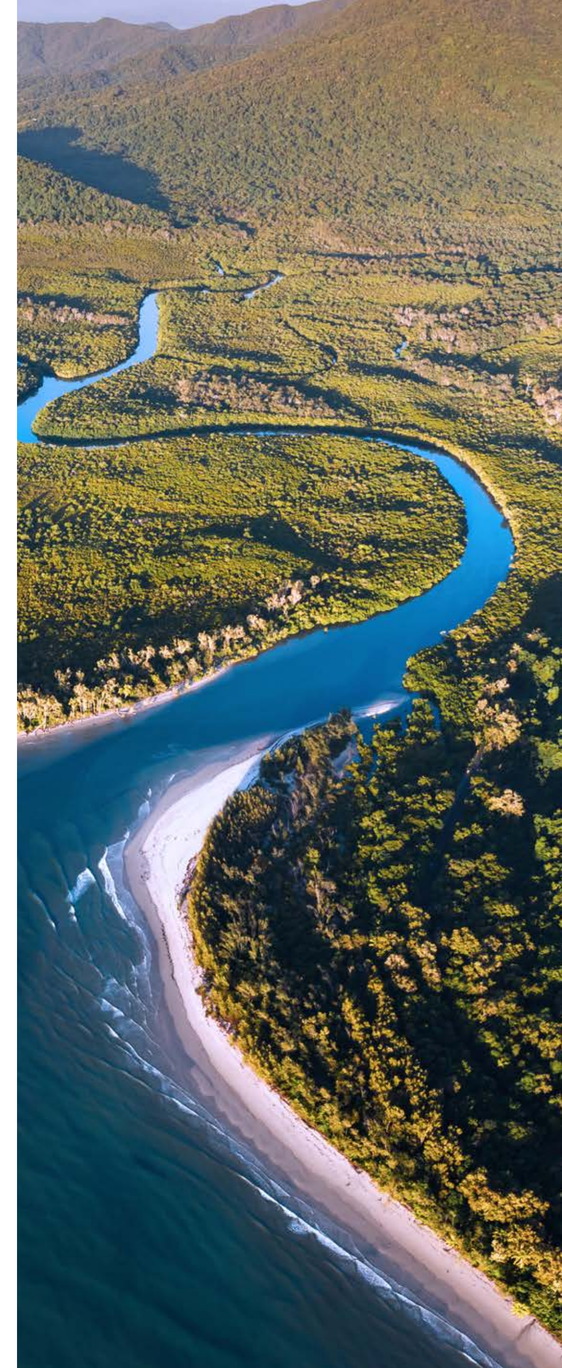
- Grounded in the latest climate science and robust scenario analysis
- Externally validated by bodies such as the Science Based Targets Initiative (SBTi)
- Clear articulation of assumptions, contingencies and dependencies to avoid greenwashing accusations
- Scrutinised by external assurance providers
- Regular review and tracking of progress

RECOMMENDATIONS FOR DIRECTORS

- Develop credible, science-based climate transition plans that are embedded at an organisational, and ideally asset, level
- Adopt a strategic mindset focused on maintaining competitiveness in a decarbonised economy, rather than a compliance driven approach
- Foster climate change skills and competency across the business, including at board level

Suggested resources

- **Climate change science snapshot** (2023)
- **Climate change and organisational strategy** (2023)
- **Transition Plan Taskforce Disclosure Framework** (2023)



Chapter 3: Stakeholders are pulling in different directions

DIRECTORS ARE EXPERIENCING A SOFTENING OF PRESSURE FROM SOME STAKEHOLDER GROUPS 38

TENSION EXISTS BETWEEN SHORT TERM RETURNS AND LONG-TERM SUSTAINABILITY GOALS 41

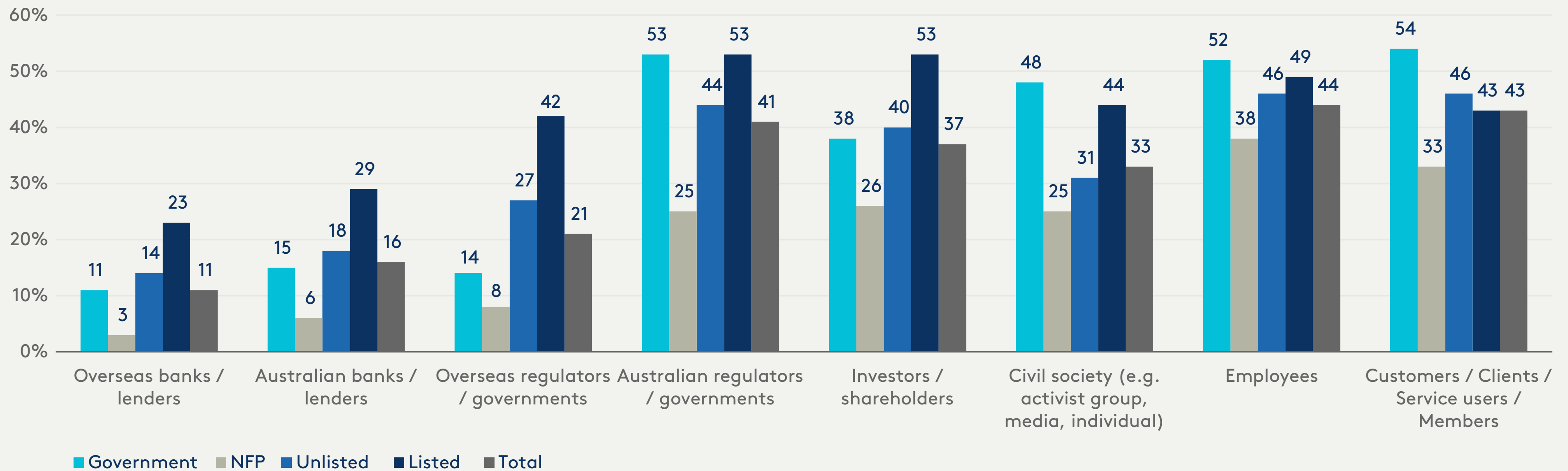
DISTRIBUTION OF COST A PARTICULAR CHALLENGE 44

Directors increasingly highlight the challenge of balancing transition efforts and investments in a world with diverging stakeholder asks. The challenge of justifying investment in transition was raised regularly in director consultation for this study, alongside allocating costs for transition. In this context, directors highlighted the board's role as a mediator of short and long-term interests.

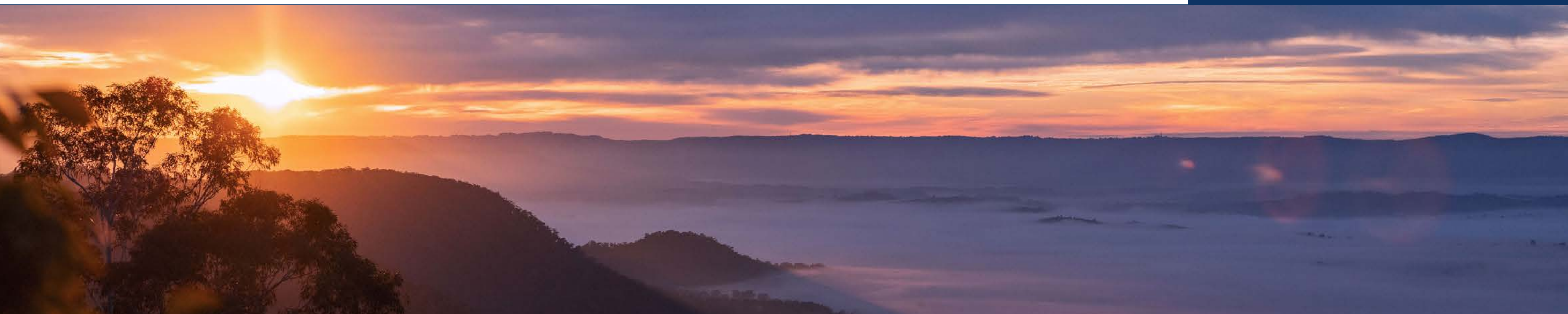
DIRECTORS ARE EXPERIENCING A SOFTENING OF PRESSURE FROM SOME STAKEHOLDER GROUPS

Stakeholder pressures vary across sectors, with shareholders exerting high pressure on listed companies, and customers exerting moderate pressure on unlisted entities. Government agencies face high pressures from customers, while not-for-profit organisations experience the least pressure on climate issues, with most pressure coming from employees (**Figure 11**).

FIGURE 11: Listed and government sector directors experience the highest levels of stakeholder pressure.



Q: To what extent does your organisation feel pressure to act on climate change from the following stakeholders? (n=1,010)



Directors in all sectors report a reduction in pressure regarding climate action from employees, customers, civil society, lenders and some investors, when compared to the levels reported in 2021. A similar shift in stakeholder focus – counter-intuitively, given the urgency inherent in the climate science and political commitments to achieve net zero emissions – has emerged in international studies. For example, the 'Say on Climate' shareholder movement had just begun to feature at AGMs in 2021 but had **declined** by 2023, according to Practical Law analysis.

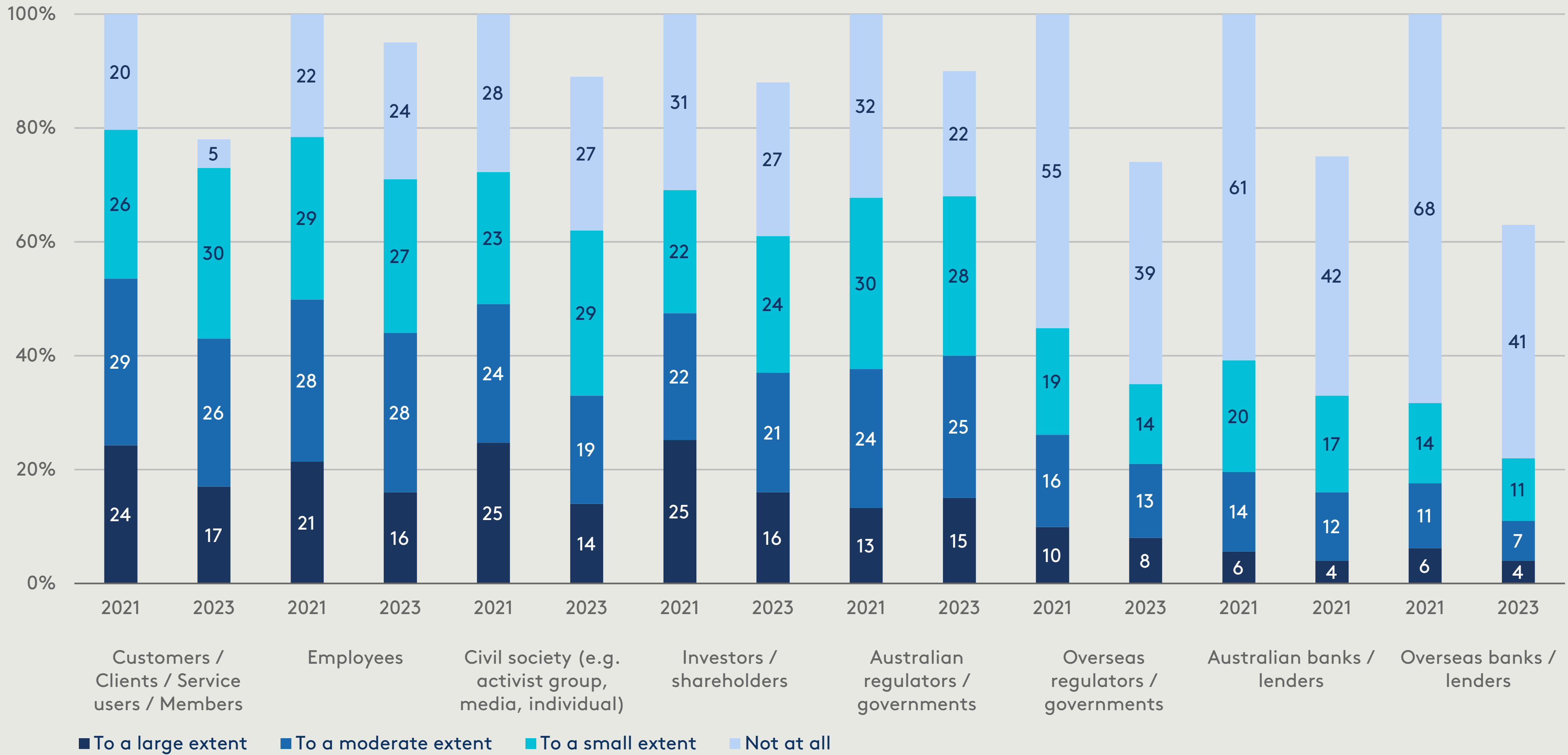
In this study, directors have reported particularly significant reduction in pressure from civil society which includes activist groups, media and individuals. A third (33 per cent) of directors experience pressure from this group, a 16-percentage drop from 2021 (49 per cent).

> "The pendulum has been swinging in both directions. As few as five years ago, there were only a handful of investors truly interested in your company's approach to climate. Then in the last two years or so, it became one of the top items on their agenda. And while there's been some political backlash against 'ESG' recently, and an apparent lessening of investor activism, it would be foolish to assume that investor interest was only a passing phase. Certainly the introduction of mandatory reporting and availability of more consistent data will refocus their interest if it has diminished at all." **— Holly Kramer MAICD**

Figure 12 shows the exception to this trend is evident in the pressure exerted by the Australian government and regulators, with 40 per cent of directors (an increase from 37 per cent in 2021) experiencing regulatory scrutiny. Regulatory pressure is particularly pronounced among listed companies, with 53 per cent reporting heightened pressure in 2024, up from 37 per cent in 2021, and now equalling pressure from investors/shareholders. Unlisted companies also experience an increase, with 44 per cent facing regulator pressure, up from 34 per cent.

> "Over the last 18 months global real estate markets have been tough. Unsurprisingly our stakeholders have focussed on how we are responding and bottom-line performance. So, while sustainability remains important to stakeholders and a competitive advantage to Lendlease, given our acknowledged leadership in areas like sustainable offices, in investor meetings the majority of questions I am fielding are on financial performance and strategy." **— Michael Ullmer AO FAICD**

FIGURE 12: Pressure among most stakeholder has reduced compared to 2021, with drops in 7 out of 8 key groups found in this study.



Q19. To what extent does your organisation feel pressure to act on climate change from the following stakeholders?

TENSION EXISTS BETWEEN SHORT TERM RETURNS AND LONG-TERM SUSTAINABILITY GOALS

Directors in several forums noted that boards are increasingly faced with tension between short-term financial pressures and building long term sustainable value. In the survey, 24 per cent of directors stated investor and shareholder demands as their biggest barrier, representing the second highest barrier after policy uncertainty (Figure 13).

> "Addressing carbon reduction requires real commitment and discipline from boards and management. Until it is reflected in your financials through capital allocation and operating cost trade-offs - you probably aren't really driving the change necessary. You also need to understand what your environmental footprint is and the impact you are having in the societies in which you're working. This will inevitably lead to some tough decisions on where you are allocating capital."
>
> — David Thodey AO FAICD

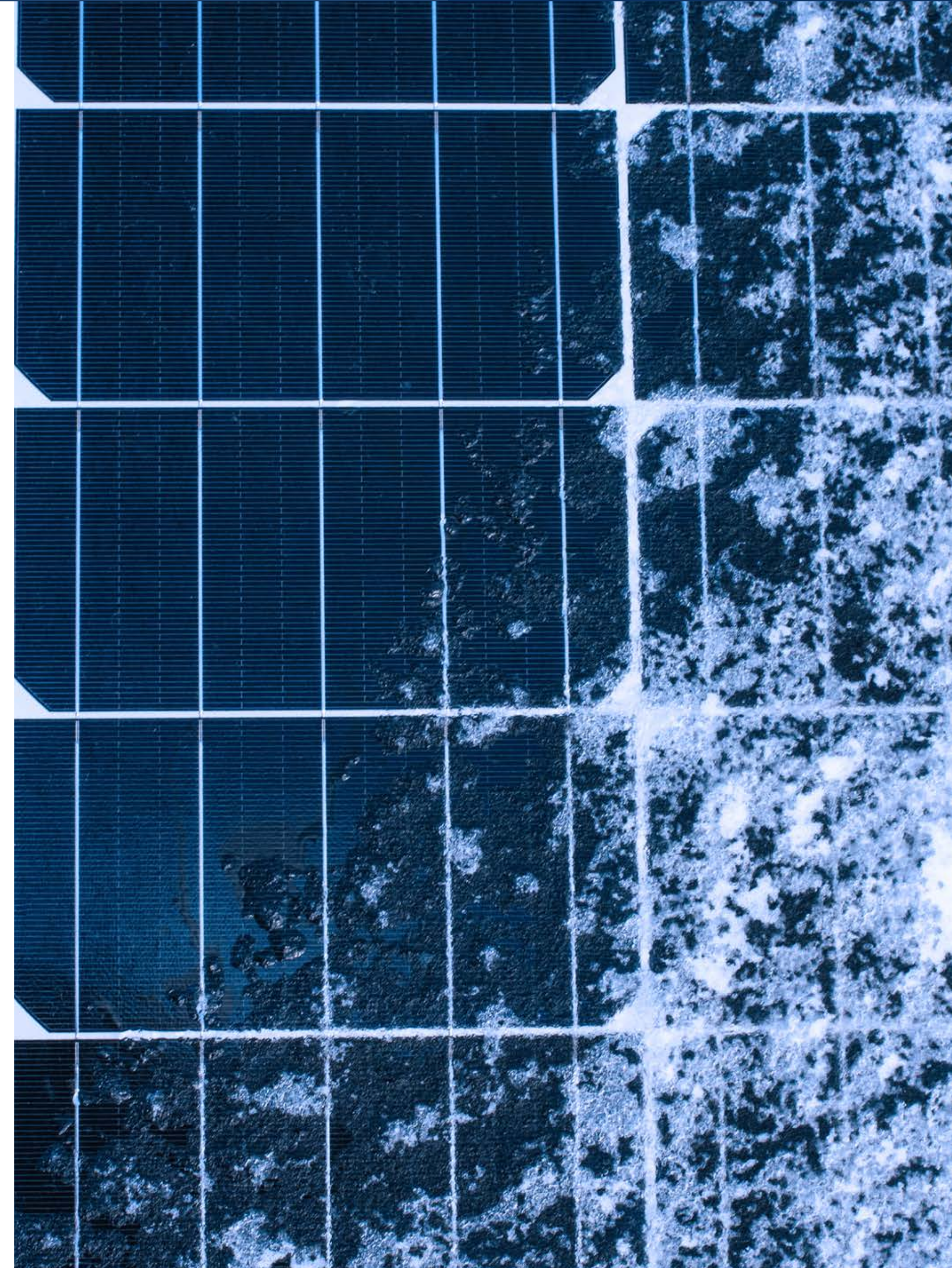
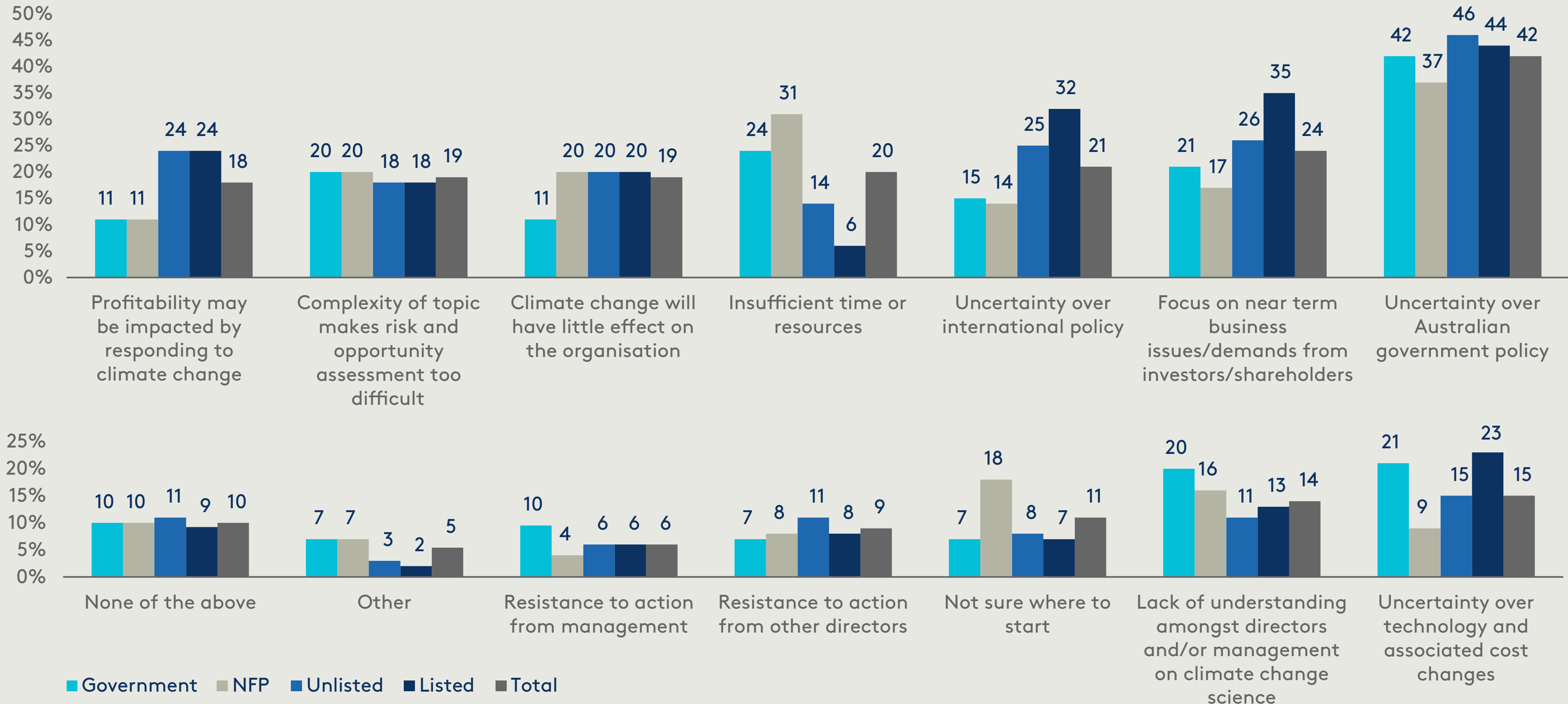


FIGURE 13: Near-term business issues and insufficient time and resources are second only to regulator pressure as barriers to climate change governance across sectors.



Q: To what extent do you feel the following issues are barriers to the board successfully governing climate change at your organisation? [select up to three] (n=1,040)

> There is an expectation from some investors that none of this is going to cost any money. The key is to demonstrate how it can enhance sustainable returns."
>
> **— Michael Ullmer AO FAICD**

Directors noted that boards sometimes prioritise short-run financial outcomes over longer term sustainability due to shareholder expectations. In some cases, sustainability was seen as a second-order issue by investors – only of interest once financial goals were already being met.

> "If the company is unable to meet the financial targets shareholders are not interested in non-financial issues." **— ASX non-executive director**

For listed directors, 35 per cent found a focus on near-term business issues a barrier and for a sub-set of survey respondents from highly exposed ASX-listed companies (such as mining, manufacturing and energy industries) this figure lifts to 37 per cent.

This is an interesting finding in the context of capital markets which are increasingly active (and committed) on the topic. High variation in the ask from investors was noted with some investors prioritising immediate returns, while others (especially those with a longer investment horizon such as superannuation funds) putting more emphasis on sustainability outcomes.

> "We [AustralianSuper] are actually ideally placed to fund the transition because the sort of companies that we are really interested in are those which have a coherent transition strategy and a long-term outlook." **— Dr Don Russell**

Directors stressed the importance of striking a balance between meeting short-term expectations and aligning with a more sustainable (and valuable), long-term vision. This suggests that investors prioritising longer investment horizons need to continue to engage actively with companies, contributing their perspective to these conversations, and supporting bold transition actions.

Directors in industries with material transition spending needs also noted the regular incidence of requests for strong transition targets and highly optimised short-term returns. This suggests that investors prioritising longer investment horizons need to continue to engage actively with companies, contribute their perspective to these conversations, and support bold transition actions.

> I have noticed a big change in investor engagement recently. Previously we received very surface-level climate questions, now it involves deeper questions with organisations investing in specialist resources to upskill on climate. It is a real step forward for all, in terms of accelerating action."
>
> **— ASX non-executive director**

Investors increasingly expect that companies will use company-wide approaches to integrate climate into company investment decisions. An internal shadow price on carbon (used to identify exposure to future risk and to guide investment decisions) was highlighted as a particular focus in many conversations. However, directors noted that in highly competitive industries, an effective shadow price on carbon can lead to decisions which put the company at significant economic disadvantage. This is particularly the case where companies compete against imports for the same product.

> "There are some operating models where you must ask – are they going to survive the transition pathway?" **— ASX non-executive director**

DISTRIBUTION OF COST A PARTICULAR CHALLENGE

The challenge of determining who bears the cost of transition investments was frequently cited. Many directors noted that there were insufficient mechanisms presently in place to help navigate cost allocation, or to ensure reasonable distribution of costs. A number of directors noted that across their relevant supply chains, negotiations regarding who would bear the additional cost of low carbon products could sometimes be circular (or non-starters entirely).

Directors noted that in many cases this has created significant hesitancy to invest in transition. This unwillingness to bear cost has the flow-on effect of limiting demand for new materials or products. This in turn reduces opportunities to reach scale with low carbon materials or other products, scale which might otherwise eventually bring down overall costs. A number of directors noted that they felt their industries were stuck in loops which were curtailing the growth (and availability) of new industries.

> "There is an open question in some industries whether the end user is willing or able to pay a premium for a product to facilitate the transition. Government has a role to pay in incentivising end-user take-up of green products." **— ASX non-executive director**

> **Burden sharing discussions with government are underway in 'social value' areas such as affordable housing, but not yet in relation to transition planning or climate."**
>
> — Andrew Stevens

A broader ESG pullback among investors from certain regions (especially the US) was raised as a significant challenge, exacerbating uncertainty among directors. Directors emphasised the need for real commitment and discipline from boards, management and importantly investors to support the allocation of funds to transition initiatives, even where this investment affects short-term financial results.

> "Companies are in a difficult position because investors want you to do something, but not too much if it doesn't have a reasonable payoff. We have a duty to the shareholders in perpetuity, but the current shareholders are the loudest voice. We explicitly have a capital management policy that says we will be investing in climate reduction capital that may not get a return, but we are clear how much that is. So far, investors have been happy to be supportive." **— Kathleen Conlon FAICD**

Spotlight on sectoral differences – big versus small

There is a marked difference in activity between larger and smaller organisations, with the latter facing increasing challenges related to climate impacts, cost of living, and economic concerns. These resource limitations are a key obstacle to climate action.

Institutions supporting boards of smaller organisations should focus on addressing these challenges, requiring additional support and innovation. This support may come in the form of capability development platforms, automated services, and targeted engagement.

> "Directors want to do the best thing for their companies in the longer term. But for smaller companies, that is a lot more difficult when they don't really have the capital to invest in the transition."
> **— AICD member, survey open-text response**

There's a notable concern about less scrutinised unlisted companies, indicating a potential 'blind spot' in current climate governance practices. Directors interviewed for this study call for increased scrutiny and accountability for unlisted companies, which often compete in the same markets as their listed counterparts.

> "If a company has a coal mine, what do they do? They go private." **– Kathleen Conlon FAICD**
>
> "Humanity needs to get better at holding unlisted companies to account." **– Simon McKeon AO FAICD**

Supply chain reporting poses specific challenges for unlisted and smaller companies, with directors expecting increasing reporting pressure due to new requirements extending beyond listed entities. The impending mandatory climate reporting requirements could compound such challenges, especially for organisations in the supply chains of larger entities.

NFPs face complex challenges yet are constrained by resources, and many have exposure to climate change. Only seven per cent of NFP boards strongly agree that they have the knowledge and experience to address climate governance issues effectively. Interviews with NFP directors also reflect uncertainty about the impact of the transition on their organisations due to a lack of guidance, pressure, or support.

> "There is a disparity between what large businesses can achieve and the capacity of smaller companies – especially with measurement metrics and assurance. Without quality reporting, it's a challenge to see the shift towards decarbonisation as a strategic competitive advantage or for making long-term decisions." **— ASX non-executive director**

> "Once you scope out the risks and the consequences, then you have to have a serious conversation within the organisation about what is our roadmap. What is our plan? What is going to make the most material impact with the resources we have?"
>
> **— Virginia Bourke FAICD**

EMERGING BETTER GOVERNANCE PRACTICE

Build a business case and an implementation plan:

- Build a strong and codified business case for transition, which is well understood by the full executive team
- Embed climate in standard company investment decision-making processes across the business

Clear communication of transition costs and investment required:

- Clear and consistent messages to stakeholders on short term versus long term trade-offs
- Seek key investor and stakeholder support for plans

RECOMMENDATIONS FOR DIRECTORS

- Build a strong, commercial and codified case for transition
- Establish regular engagement with stakeholders, including understanding the range of perspectives and interests
- Clear communication with internal and external stakeholders

Suggested resources:

- Climate governance for NFP directors (2023)
- Climate risk governance guide (2021)

Chapter 4: Policy and regulation act as both a driver and drag on transition plans

POLICY UNCERTAINTY REMAINS THE HIGHEST BARRIER FOR CLIMATE GOVERNANCE 48
MANDATORY CLIMATE REPORTING IS ON EVERYONE'S MIND, BUT PREPAREDNESS IS VARIED 50
NEW REPORTING REQUIREMENTS WILL DRIVE CHANGE 51
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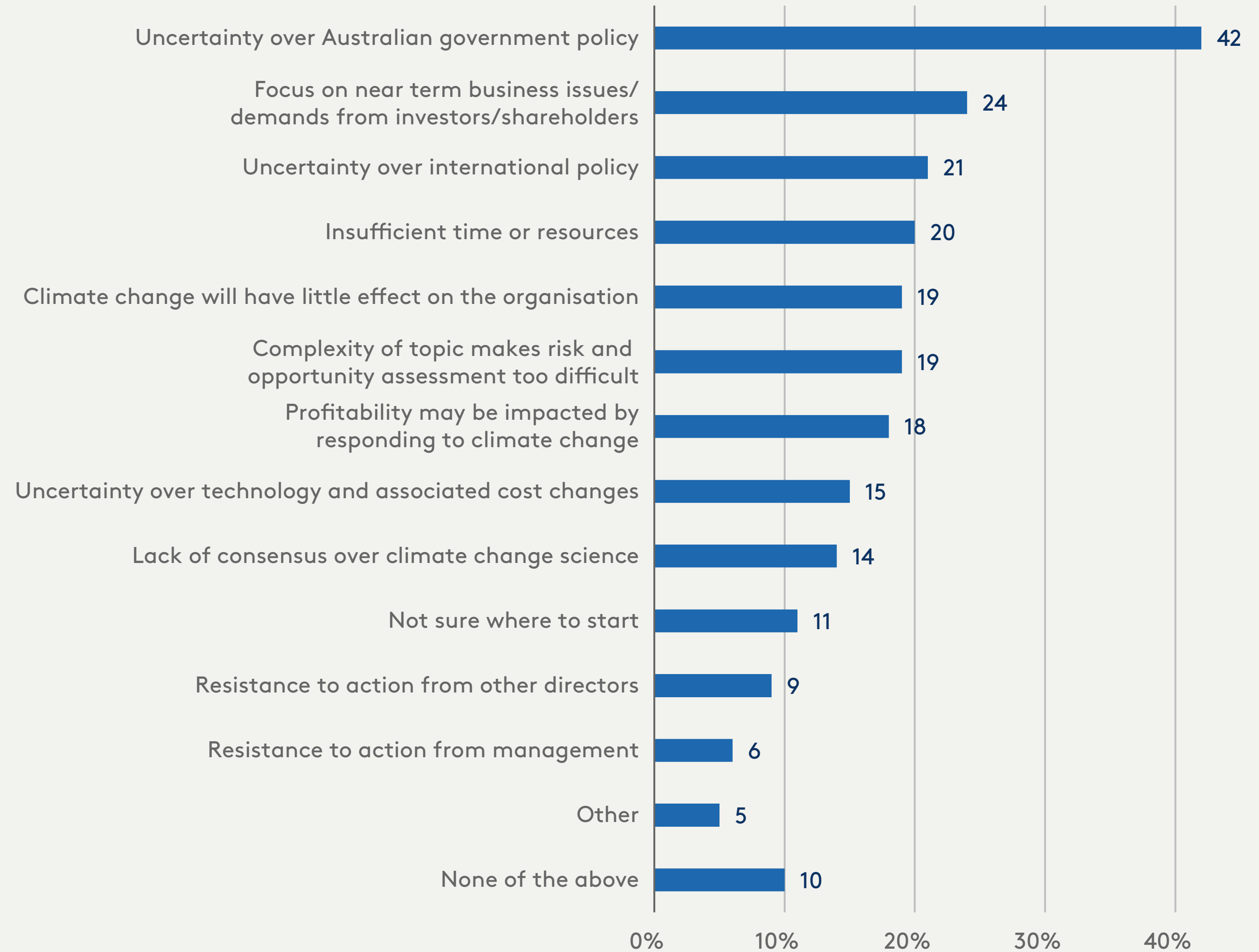
Although directors report that the stakeholder landscape is becoming increasingly diversified, rising pressure from regulators and policy makers was noted almost universally. Interestingly, although this pressure is resulting in increased transition ambition in some quarters, directors express concern that increasing focus on compliance is diverting board and management attention from pursuing real-world actions.

POLICY UNCERTAINTY REMAINS THE HIGHEST BARRIER FOR CLIMATE GOVERNANCE

The lack of a clear and settled climate change policy at the national level was the most often-cited barrier among directors (42 per cent) to effective climate governance (see Figure 14). This is consistent with responses in 2021.

While policy settings were consistently identified as a primary concern among directors in all sectors, perspectives varied in interviews on the degree to which policy serves as an obstacle to progress in climate governance. Those expressing the most concern highlighted discordant or misaligned policies with contradictory incentives, along with shifting goalposts, as factors imposing an unreasonable burden on companies. Without the right policy settings, directors find making long term investments more difficult. Lack of policy certainty is also presenting a greater risk for investors who may move their investments elsewhere.

FIGURE 14: Policy uncertainty is the top barrier to climate governance in all sectors.



Q. To what extent do you feel the following issues are barriers to the board successfully governing climate change at your organisation? [select up to three] (n=1,040)

Directors said the transition is especially hampered by limited avenues for cooperation and a lack of consensus around sector pathways. They found existing policy mechanisms did little to support the allocation of transition costs. Indeed, directors noted that the government's reluctance to allocate costs (and create clear investment cases for decarbonisation) presents a hindrance to transition decision-making.

Directors also suggested that collaboration efforts can be limited by competition law, which constrain the ability for competitors to work together to solve collective problems. Similar issues were raised by AICD members in survey responses (**Figure 15**) and anecdotally.

FIGURE 15: This word cloud presents sentiment expressed in 172 open-text responses in the AICD member survey which informed this study.

Climate governance emerges as the most discussed topic (41% of comments). This is followed by comments that questioned the relevance of climate to their organisation (30%), highlighted the need for industry solutions (23%), and raised issues related to policy (19%) and energy (15%).

> "Government has a key role to play in reducing regulatory complexity and incentivising access to cheaper clean energy and facilitating the transition."
> **— ASX non-executive director**

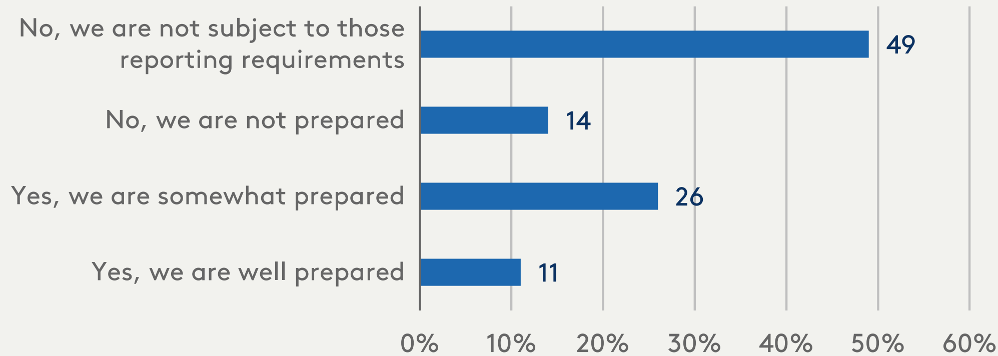
Not all directors saw policy and regulation as a complicating factor, however. Many respondents asserted that policy and regulation were not insurmountable barriers, emphasising that it would be reasonable to expect policy to lag technology and fast-moving capital markets. Across both views, there was a broad consensus that stable, aligned, and clear policies provide a conducive environment for businesses to make long-term investments in climate initiatives – an essential prerequisite to national emissions targets being met.

> "We need to change a century of a fossil fuel driven economy, into a lower carbon economy in 10 years. Acknowledge that this is a disorderly transition. There's nothing orderly about this. It's been disorderly to date, and it will continue to be disorderly going forward. So, we can sit around and whinge and complain about all of that. Or we can govern and manage accordingly." **— Geoff Summerhayes GAICD**

MANDATORY CLIMATE REPORTING IS ON EVERYONE'S MIND, BUT PREPAREDNESS IS VARIED

Mandatory climate reporting is an area of increasing focus for directors, but preparedness varies. Despite familiarity with TCFD generally, there is a substantial gap between current reporting practices among large, listed entities, and the heightened requirements expected under Australia's forthcoming mandatory climate reporting regime.

FIGURE 16: Preparedness for reporting: Almost half of respondents are not expecting to be subject to reporting requirements.

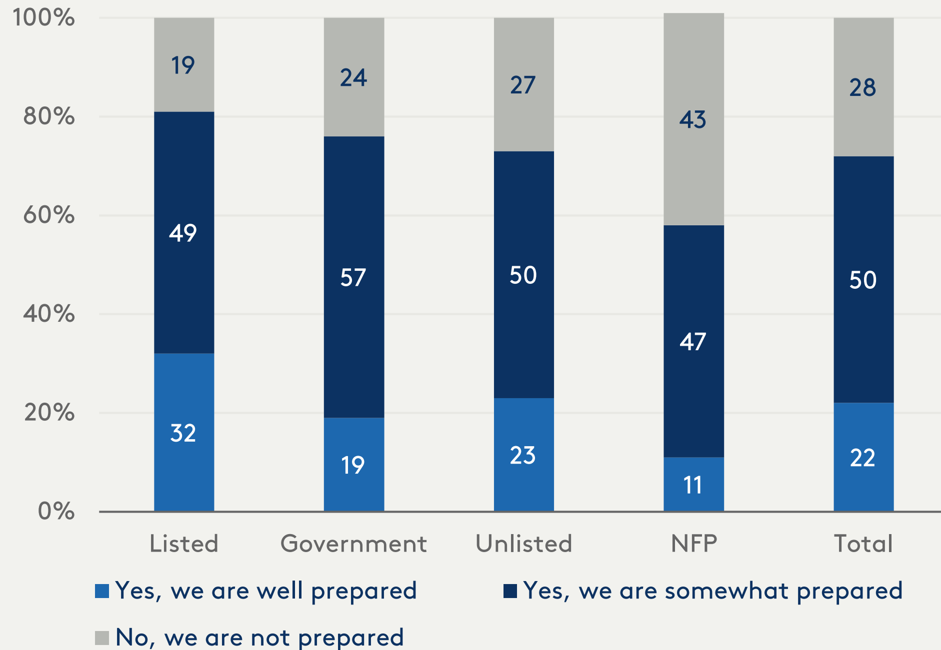


Q: For some companies mandatory climate reporting will come into effect from 1 July 2024. Do you consider your organisation prepared for climate reporting? (n=1,057)

Excluding survey respondents in **Figure 16** who reported not being subject to mandatory climate reporting (49 per cent), **Figure 17** shows 72 per cent of directors reported being well or somewhat prepared. Listed entities (81 per cent) had the highest level of preparedness, followed by government (76 per cent) and unlisted entities (73 per cent). NFPs (58 per cent) cited the lowest levels of reporting preparedness.

Directors underscored the complexity in navigating quantitative climate data requirements, forward-looking forecasts, assessment of climate-related risks, and application of methodologies. They noted that, at a minimum, these reporting requirements would drive increased board engagement and focus. Several directors highlighted the need to engage capabilities from finance units (including high process orientation and rigour around quantitative information) to support disclosure needs.

FIGURE 17: Listed directors feel most prepared for mandatory climate reporting.



Q. For some companies mandatory climate reporting will come into effect from 1 July 2024. Do you consider your organisation prepared for climate reporting? (n=536)

> "Shift your reporting - produce your financials and produce your climate action and produce your sustainability report all at the same time so it gets the right material attention."
>
> — Karen Moses FAICD

NEW REPORTING REQUIREMENTS WILL DRIVE CHANGE

The incoming climate reporting regime is expected to drive significant change. There was broad recognition that reporting requirements are a key driver for increased governance attention and are already influencing behaviours. It is prompting organisations to begin to gather data, understand their material issues, and better measure their carbon footprint.

There was widespread acknowledgement of the progress this exercise is driving. This includes prompting a broader set of organisations to understand and analyse climate risks and impacts, and significant momentum toward leveraging data to make informed decisions.

> "The driver for any director should be their genuine concern about the impacts of climate change and for the opportunities and risks that poses to the companies in their portfolio. However, if there are directors who for some reason still don't see this as a priority, then at a minimum they will have to be aware of the new requirements. The visibility and liability inherent in climate reporting will now need to drive their engagement." — **Holly Kramer MAICD**

DIRECTORS CAUTION AGAINST OVER-EMPHASIS ON COMPLIANCE

Directors noted in multiple conversations that increasing reporting requirements and standards were shifting company emphasis to compliance and legal concerns. Mandatory climate reporting is forcing many boards to shift their focus to implementing reporting systems which deliver sufficiently specific reporting. Alongside this, an increase in the risk of greenwashing accusations is encouraging a cautious approach to disclosure.

> "The market is currently in a transition from an exploration, ambition, discovery phase, where organisations were making very ambitious scope 1 and 2 emissions targets, to a compliance phase. There is concern by corporates during this transition." — **Philip Chronican GAICD**

Directors acknowledged they may not fully appreciate the level of risk they are exposed to, particularly regarding their liability when making forward-looking statements, especially in transition plans, that are heavily reliant on layered models and assumptions around technology or policy. Without reasonable assurance, directors were concerned about their ability to give unqualified signoffs on disclosures, particularly when it comes to forward-looking statements.

> I am supportive of the international standards but how they marry up with Australian liability law in particular - that is frightening as a director. Being legally obliged to make forward-looking statements about things that it is very difficult to fully understand and predict takes risk off the charts."
>
> — Teresa Handicott FAICD

Most ASX directors spoke about wanting the highest possible level of assurance (reasonable assurance), but the market not being able to support this due to the nascent nature of sustainability assurance and the lack of capability and/or capacity in the profession. Directors referred to ongoing scrutiny of listed companies (specifically from legal challenges) as a significant focus for boards. Actions against greenwashing in a highly regulated environment are contributing to a growing sense of wariness among directors. Directors are increasingly cognisant of the reputational damage and regulatory risk resulting from aspirational climate targets and subsequent greenwashing allegations. This means companies are now tempering their ambitions and increasingly focused on more modest targets rather than stretch goals.

> "Directors need to strike a balance with the competing objectives of returns, meeting the needs of the wide variety of stakeholders and compliance with policy and regulation. When you have vested interest come in, that's where we do need stronger and better leadership from the regulators." — **Frank Cooper AO FAICD**

Directors highlighted an increase in legal advice cautioning boards against declaring high ambition. To protect against liability, some boards are requiring that management (assisted by experts) undertake M&A (mergers and acquisitions) or prospectus style verification processes.

> "There is increasing pressure for companies to demonstrate that they have credible plans to achieve their targets. Challenge arises from the fact that data for climate reporting is sourced from external sources – making it hard to verify. Normally with financial reporting the company itself is the source of the data, so it is easier to test the quality and veracity of that data." — **Philip Chronican GAICD**

In this context directors repeatedly noted the need to keep sight of the bigger picture – navigating Australia's pathway to net zero emissions. Directors highlighted that although reporting brings important discipline to company efforts, it is actions rather than reporting that will get organisations to net zero.

To support these decarbonisation outcomes and maintain their priority for companies, directors highlighted the need for greater clarity and monitoring of industry pathways to net zero. Some suggested the onus should be equally placed on government to provide those pathways and hold companies to account. This need for clear pathways and accountability was also highlighted in the context of nature disclosures.

> I just hope we don't all get bogged down in the treacle of it all. We can't afford to spend the next five years focusing on getting perfect reporting without taking real action."
>
> — Penny Bingham-Hall FAICD

Spotlight on science-based targets in the global climate landscape

National net zero commitments presently encompass 92 per cent of global GDP and 88 per cent of global emissions, as indicated by Net Zero Tracker. However, this occurs within the context of a lack of a universal definition and diverse interpretations of net zero, leading to market confusion and allegations of greenwashing, including in Australia.

While a definition of 'science-based' targets remains elusive within law, directors are urged to scrutinise and challenge management, and consider adherence to accreditation regimes such as the Science Based Targets initiative (SBTi).

Globally, over 4,000 businesses have adopted emissions reduction targets through the SBTi. Aligned with the Climate Program and World Resource Institute's mission, the SBTi underscores 'science-based' targets, aligning with the latest climate science and Paris Agreement objectives.

To address the uncertainties surrounding net zero including scope 3 emissions, the SBTi has developed the Corporate Net-Zero Standard. This framework provides a clear and 'science-based' understanding of net-zero, instilling confidence in business leaders to align their decarbonisation plans with climate science.

KEY COMPONENTS OF THE CORPORATE NET-ZERO STANDARD:

- **Near-term targets:** Companies must prioritise rapid, deep cuts to direct and indirect value-chain emissions, aiming to halve emissions before 2030.
- **Long-term targets:** Establishing science-based targets for over 90 per cent emission reduction before 2050.
- **Residual emissions:** After achieving long-term targets, companies must employ permanent carbon removal and storage to counterbalance any remaining emissions.
- **Beyond Value Chain Mitigation (BVCM):** Businesses are encouraged to invest in BVCM alongside science-based targets, incorporating projects to restore natural carbon sinks and technology-based removals.

EMERGING BETTER GOVERNANCE PRACTICE

Build industry coalitions:

- Collaborate and share understanding and capability across value chains and industries within legal constraints

Use mandatory climate reporting as a platform:

- New regime is a catalyst to re-assess organisational climate strategy and level of ambition
- Take a strategic rather than compliance-based focus, while managing liability risks

RECOMMENDATIONS FOR DIRECTORS

- Continue to build and extend understanding of the climate policy landscape for the company. Do this actively, as policy is evolving rapidly
- Actively work to understand reporting obligations, and constructively challenge management implementation plans
- Explore external assurance/validation options to provide greater confidence in organisational plans and limit liability exposure from reporting

Suggested resources

- A director's guide to mandatory climate reporting (2023)
- Climate change science snapshot (2023)
- Climate risk governance guide (2021)

Chapter 5: Board approaches to climate change continue to evolve

GREATER FOCUS ON DIRECTOR CAPABILITY 55

SUBDUED CONFIDENCE IN CLIMATE GOVERNANCE CAPABILITY 56

CLIMATE INCREASING IN FOCUS FOR BOARD COMMITTEES 58

DEMOGRAPHIC FACTORS CONTINUE TO INFLUENCE ATTITUDES 60

Boards are adjusting their approaches to climate governance in the face of a rapidly evolving market. Boards are increasingly likely to undertake specific capability development programs for directors. Consistent with previous reflections, board confidence levels are not improving despite increasing capability development efforts – perhaps reflecting growing understanding of the challenge at hand. The size and sector of the board and its demographic makeup have significant impacts on levels of board engagement, confidence and preparedness on climate.

GREATER FOCUS ON DIRECTOR CAPABILITY

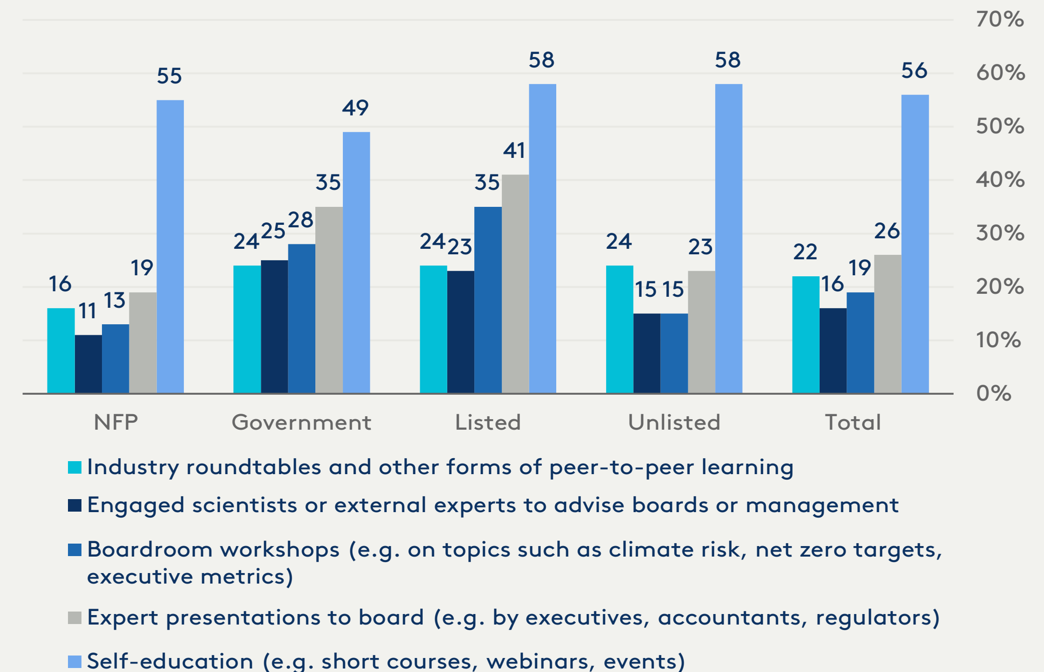
Director engagement on capability is rising. As shown in Chapter 2 a quarter (26 per cent) of directors indicated that their board has undertaken director training on climate governance issues – an eight-percentage point increase from 2021. This rise in the level or formal capability development among boards was more prominent for listed directors (39 per cent).

Nonetheless, directors indicate that more emphasis is needed to build capability from the top down. Directors see deepening capabilities across executive teams will be critical. Some directors go a step further – arguing that deep climate expertise will need to feature on many boards, not just those of the largest emitters.

The need for upskilling is especially pronounced for smaller companies and NFP boards. Directors note that smaller companies, unlisted entities, and NFP boards may not have the support required to enhance capability. Consequently, these entities may not adequately understand the strategic impacts of climate change for their businesses. This capability challenge is likely reinforced by resource limitations and unclear regulatory expectations, such as the extent to which smaller non-reporting organisations must provide data to larger reporting organisations under proposed mandatory climate disclosure laws.

Upskilling is still a mostly self-driven endeavour for directors. Across all sectors, self-education is the most common approach that boards are utilising to upskill non-executive directors, with 56 per cent of boards citing self-education as their primary upskilling tool (Figure 18). Expert presentations (26 per cent), industry roundtables and peer to peer learning (22 per cent), boardroom workshops (19 per cent) and external experts and scientists (16 per cent) also featured.

FIGURE 18: Self education is the most common upskilling activity for directors in all sectors.



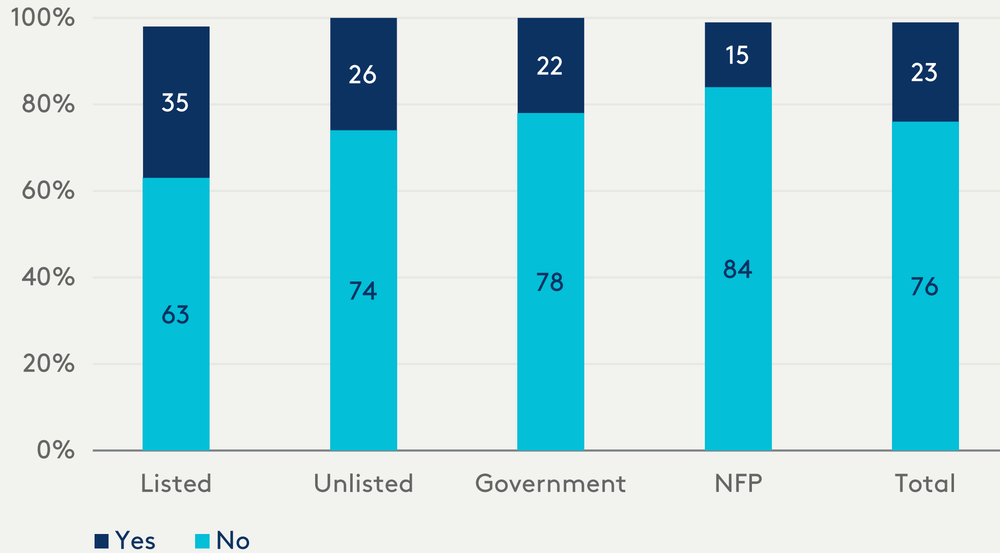
Q: What steps has your board taken to upskill non-executive directors on climate competency? [select all applicable] (n=1,040)

Around one-quarter (23 per cent) of respondents' organisations have a board skills matrix that includes climate change (**Figure 19**). Of this, listed companies (35 per cent) were most likely to have climate in their board skills matrix board, while government (22 per cent), unlisted entities (26 per cent), and NFPs (15 per cent) less likely.

I'm pretty strong on the fact that the board of 10 years ago will not be good enough."

— Simon McKeon AO FAICD

FIGURE 19: A quarter of boards include climate change in their skills matrix.

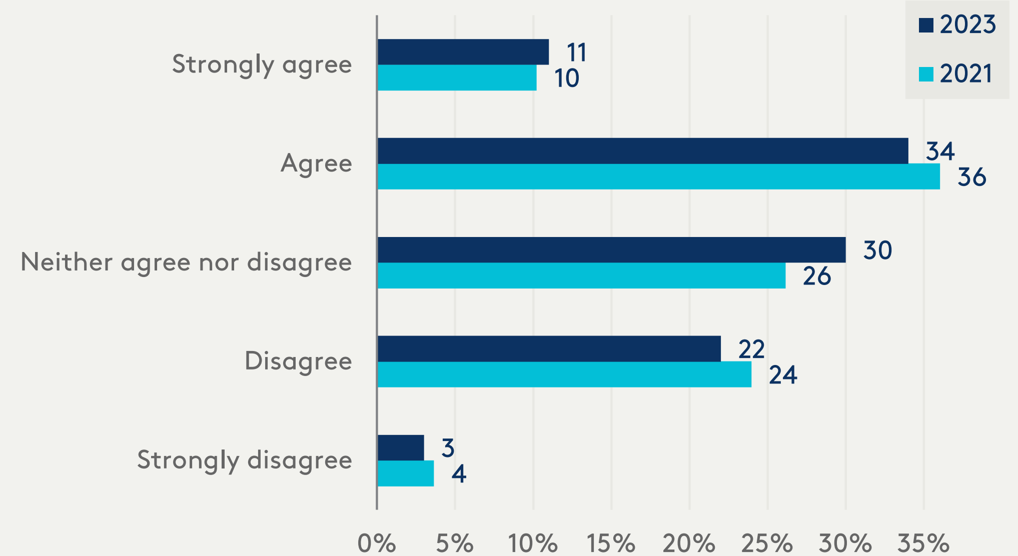


Q: Does your board's skills matrix include climate expertise? (n=1,057)

SUBDUED CONFIDENCE IN CLIMATE GOVERNANCE CAPABILITY

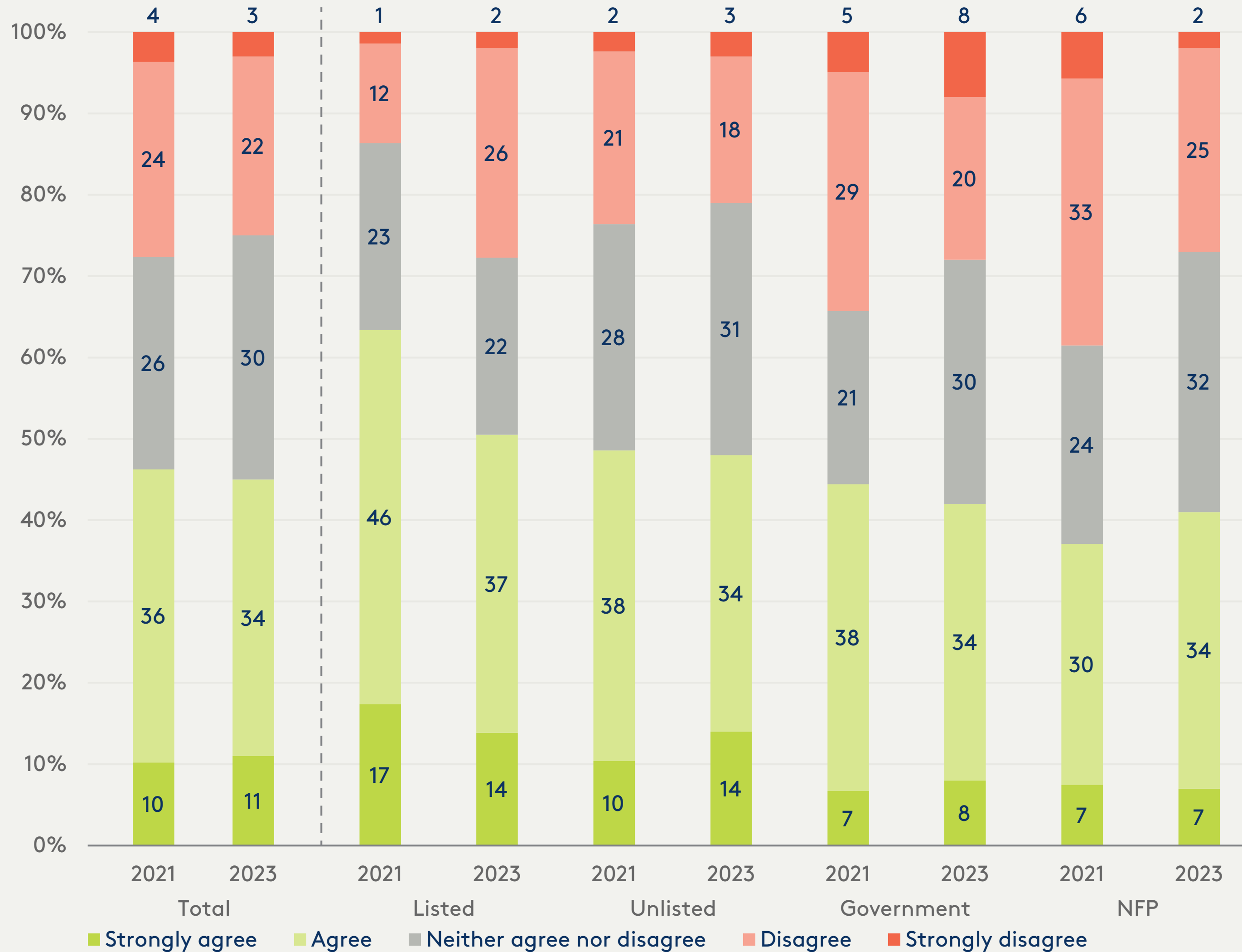
Despite rising capability, most directors still lack confidence regarding effective climate governance. In this study's results there is a notable shift towards deeper engagement and understanding of climate change risks and impacts, increased education, and a stronger focus on responsibility. However, just 45 per cent of survey respondents believe their board has the knowledge and experience to adequately address the climate governance issues facing their organisation, steady from 2021 (**Figure 20**).

FIGURE 20: Despite rising competence, board confidence is flat compared to 2021.



Q: To what extent do you agree with the following statement? "My board has the knowledge and experience to adequately address the climate governance issues facing our organisation" (n=1,056)

FIGURE 21: Board climate confidence has fallen among listed company directors.



Q. To what extent do you agree with the following statement? "My board has the knowledge and experience to adequately address the climate governance issues facing our organisation" (n=1,056)

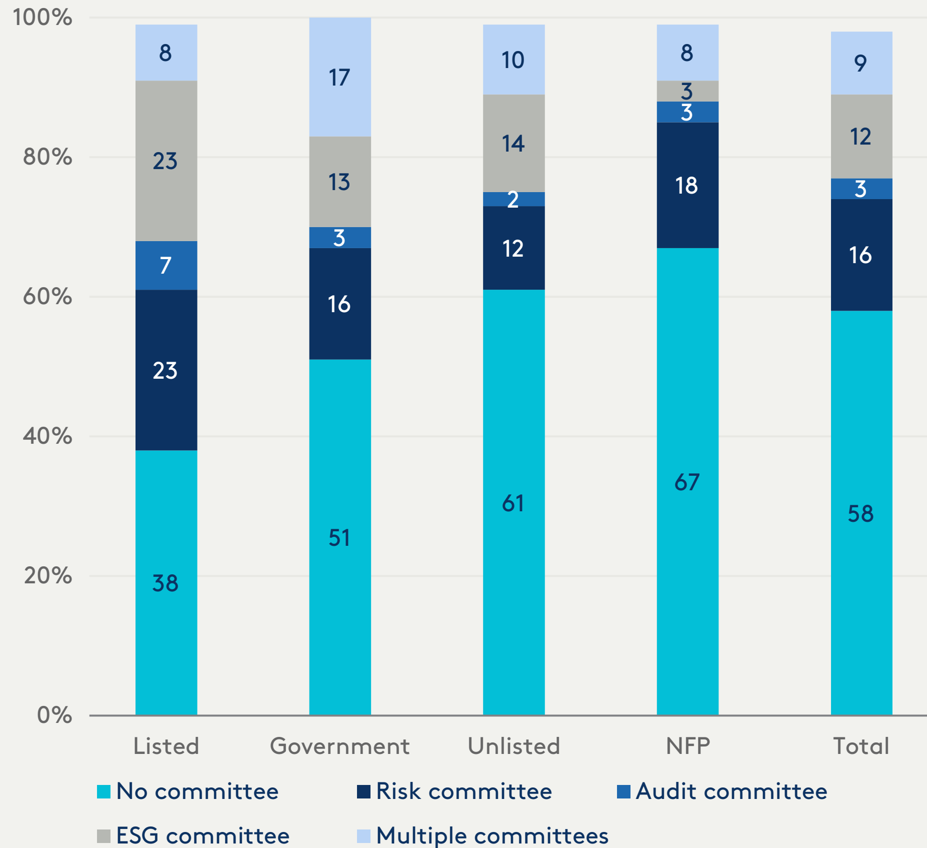
Among listed directors, confidence has fallen in recent years. Half (51 per cent) compared to two-thirds in 2021 (63 per cent) believe their board had the requisite knowledge and experience to address contemporary climate governance issues (**Figure 21**).

> "It is important directors emphasise the need to go beyond the mere fulfillment of reporting requirements and truly align actions with the stated values of the company." **— Frank Cooper AO FAICD**

Confidence could be flat and falling because directors are adjusting to new reporting regimes and greater scrutiny and/or directors better understanding the scale of the capability building required. Directors noted they are increasingly cognisant of the reputational damage and regulatory risk resulting from unfulfilled climate targets and subsequent greenwashing allegations. This context was raised regularly and speaks to a major driver for the divergence in listed and unlisted company practice.

CLIMATE INCREASING IN FOCUS FOR BOARD COMMITTEES

FIGURE 22: Listed directors are more likely to be on board with a committee that provides advice on climate.



Q: Does your board have a committee that considers and advises the board on climate change issues? (n=1,057)

Board governance approaches are still varied. Most survey respondents (58 per cent) do not presently have a board committee which considers climate change, although there are significant sectoral differences (**Figure 22**). Of those that have a board committee that considers climate, 62 per cent were listed entities compared with 39 per cent unlisted. NFPs (33 per cent) were least likely to have a board committee that considers climate change. Within those that do have a committee, the Risk and ESG/ Sustainability committees were in most cases equally likely to be used, with Audit committees also named.

Board committees are often tasked with deeper consideration of climate impact. There was consensus among ASX directors consulted for this study that sustainability committees remain highly relevant, but that audit, risk, remuneration and nominations committees need to work together in tandem. This connectivity was highlighted as an opportunity to avoid organisational responses becoming siloed and uncoordinated. New reporting requirements will increasingly prompt this by creating increasing crossover in the work of existing sustainability committees and audit committees.

> "Climate has to be seen as blowing right across every single arm of your business, not siloed in any one place." **— Andrew Stevens**

As noted in Chapter 2, although reporting requirements are driving increased board engagement and focus, a narrow focus on reporting may slow the execution of climate change commitments. Across interviews, directors raised concerns that many organisations are pivoting towards a compliance focus in response to both mandatory reporting and greenwashing risks. They emphasised that this may distract or divert companies from efforts to pursue strategic, action-oriented approaches to climate change. These directors emphasised that the definition of governance goes beyond putting climate on the agenda; it involves approving the strategy and keeping management on track.

> "I am worried though that reporting has become an industry of its own! We don't need more detailed and complex diagrams – we need action and outcomes."
> **— David Thodey AO FAICD**

Spotlight on ASX 200 climate governance structures

In early 2024, the AICD commissioned Herbert Smith Freehills to conduct an **analysis** of sustainability/ESG focused board governance structures of the ASX 200. This builds on HSF's 2021 analysis featured in the inaugural AICD climate insights study.

Highlights included:

TRENDS IN SUSTAINABILITY-FOCUSED BOARD COMMITTEES

- 82 companies (41 per cent) within the ASX 200 now have a sustainability-focused board committee, marking a significant increase from 61 (31 per cent) in 2021.
- Notably, the incidence is higher in the ASX 200 compared to the ASX 50, which has remained at 16 companies (32 per cent).

INCORPORATION OF SUSTAINABILITY ISSUES IN BOARD CHARTERS

- 37 (74 per cent) of the ASX 50 companies (up from 50 per cent) reference "environmental impact" or consideration of "environment" in their board charters.
- Among the larger ASX 200 cohort, 104 companies (52 per cent, up from 38 per cent in 2021) include references to environmental considerations in their board charters.

CLIMATE CHANGE FOCUS IN BOARD CHARTERS

- 10 ASX 50 board charters explicitly mention "climate" (20 per cent, up from 8 per cent in 2021).
- 31 of the ASX 200 board charters (16 per cent, up from 5 per cent in 2021) now include references to climate change.

BOARD COMMITTEE CHARTER TRENDS (2024 VERSUS 2021)

- References to "environmental impact" in ASX 200 board committee charters have increased across various committees:
  - Risk committees: 42 per cent (up from 29 per cent)
  - Audit committees: 35 per cent (up from 24 per cent)
  - Sustainability committees: 38 per cent (up from 22 per cent)

FOCUS ON CLIMATE CHANGE IN COMMITTEE CHARTERS

- References to "climate change" are more likely to appear in Sustainability Committees (23 per cent) compared to risk committee charters (18 per cent of ASX 200 companies) and audit equivalents (16 per cent). In 2021 Risk Committee charters were the most likely to include references to "climate change".

THE INCREASED PREVALENCE OF SUSTAINABILITY COMMITTEES

The trends suggest a solidification of the sustainability committee's role in the ASX 200, with a growing prevalence among that cohort. Over time, sustainability committees are expected to capture new areas of board focus, including mentions of nature and biodiversity which currently remain nascent.

DEMOGRAPHIC FACTORS CONTINUE TO INFLUENCE ATTITUDES

Demographic patterns emerged from the survey data, with age and gender being two key differentiators.

Concern for climate change risk is widespread across generations but varies. Directors tend to hold more polarised views as they age, with concern for climate change most acute in the 55-64 years age group (**Figure 23**).

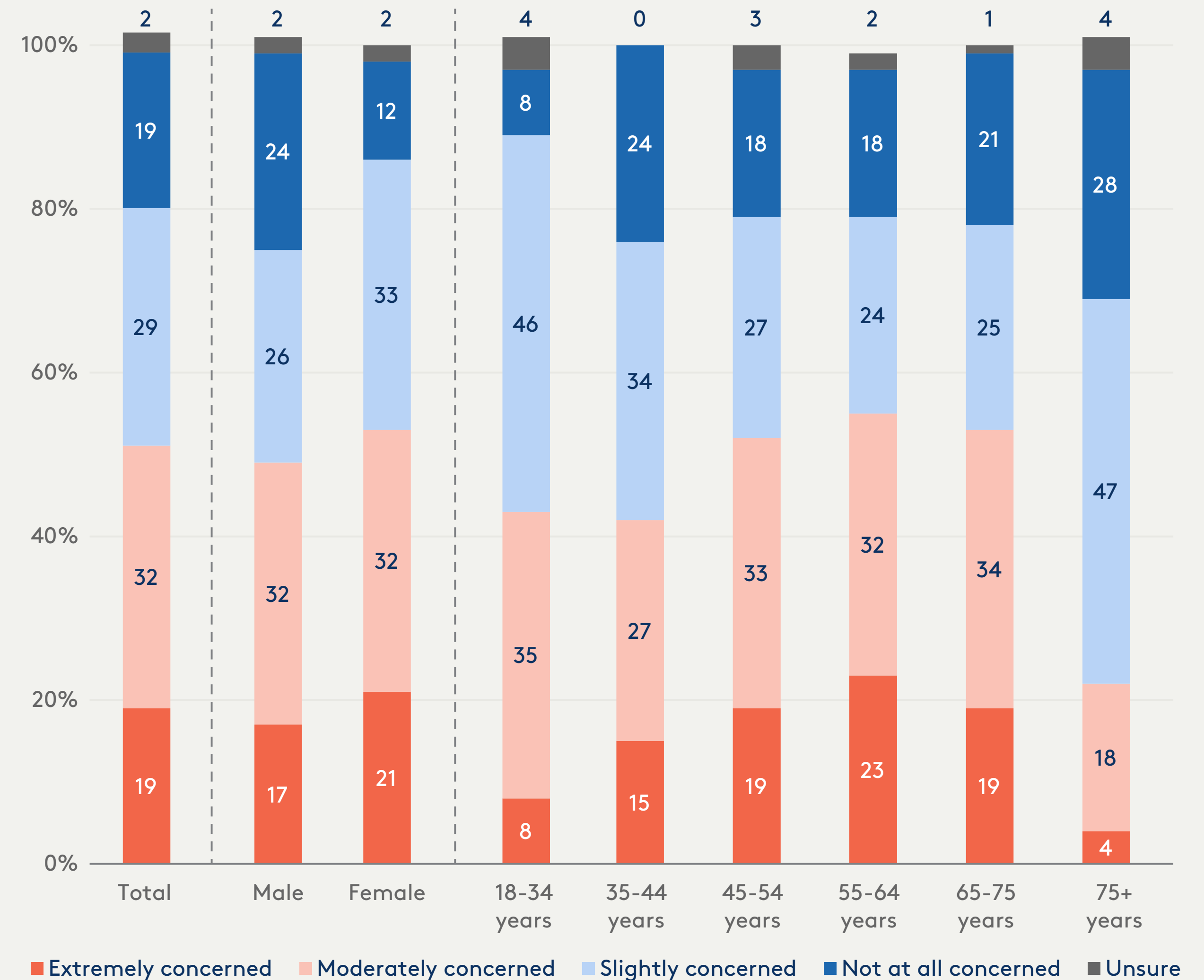
Perception of opportunity is closely tied to age. Across all age demographics, most respondents see opportunities in the transition to a net-zero economy, except for directors over 75 years, of which 52 per cent see no opportunities.

The sense of urgency regarding climate change is highest among the 35-44 age group, while confidence in existing approaches and capabilities is lowest in this age group.

Gender differences are most pronounced when directors are asked whether their boards should pay more attention to climate change. Seventy-five per cent of female directors agree their boards should pay more attention compared to 50 per cent of males. Whereas male directors are more confident that their boards' knowledge and skills related to climate are sufficient (49 per cent versus 38 per cent of female directors).

Directors in the 65-74 age group are more likely to express confidence in climate governance knowledge and skills on their boards (59 per cent versus 45 per cent of 18–34-year-olds).

FIGURE 23: Concern for climate change by age and gender.



	Total	Male	Female	18-34 years	35-44 years	45-54 years	55-64 years	65-75 years	75+ years
Extremely concerned	19	17	21	8	15	19	23	19	4
Moderately concerned	32	32	32	35	27	33	32	34	18
Slightly concerned	29	26	33	46	34	27	24	25	47
Not at all concerned	19	24	12	8	24	18	18	21	28
Unsure	2	2	2	4	0	3	2	1	4

Q3. How concerned is your board about climate change as a material risk to your organisation? (n=1,057)

CASE STUDY: MERCY HEALTH'S SUSTAINABILITY STRATEGY

Mercy Health's sustainability strategy, "Caring for people and planet," stems from Pope Francis' Laudato Si' encyclical, outlining three core goals (set out below) for sustainable healthcare. The health service employs more than 9,000 staff who provide acute and subacute hospital care, mental health, maternity and specialist women's health services, healthy ageing residential, home care and retirement living services and health worker training and development.

Mercy Health initiated its sustainability strategy in 2015.

The strategy's evolution demonstrates a gradual yet persistent commitment to change, aligned to the organisation's vision of providing optimal care while safeguarding the environment for current and future generations.

It has three goals:

Sustainable models of care

Mercy Health aims to optimise care delivery by reducing resource-intensive practices. Initiatives include a focus on chronic disease prevention, waste reduction measures, and integrating green spaces within care facilities.

Addressing climate change

The organisation is dedicated to proportionally reducing its carbon footprint across procurement, energy, transport, and waste. Mercy Health has recently completed one of the first carbon footprint studies to be undertaken in the Australian Health sector. The study aimed to calculate the baseline carbon inventory of Mercy Health, across emission Scopes 1, 2 and 3. The carbon inventory has clarified the baseline environmental impact, identified carbon hotspots and will inform emissions reduction interventions and a decarbonisation trajectory. The study work has been published in the Australian Health Review – "Gathering the evidence: health and aged care carbon inventory study."

Ethical and social responsibility

Drawing on Catholic social teaching, Mercy Health empowers Indigenous communities, practices ethical procurement, and fosters social cohesion among staff. The organisation addresses biodiversity loss, reduces global inequality, and promotes equity and inclusion.

> "Whether you are large or small, if you are trying to lead in this area you need to develop your own approaches. Honestly, we've had to create our own world here. As a large health organisation in Australia – we did not have a template to draw from to develop our strategy and operational approach." **– Virginia Bourke, Chair Mercy Health**

EMERGING BETTER GOVERNANCE PRACTICE

Elevate governance focus:

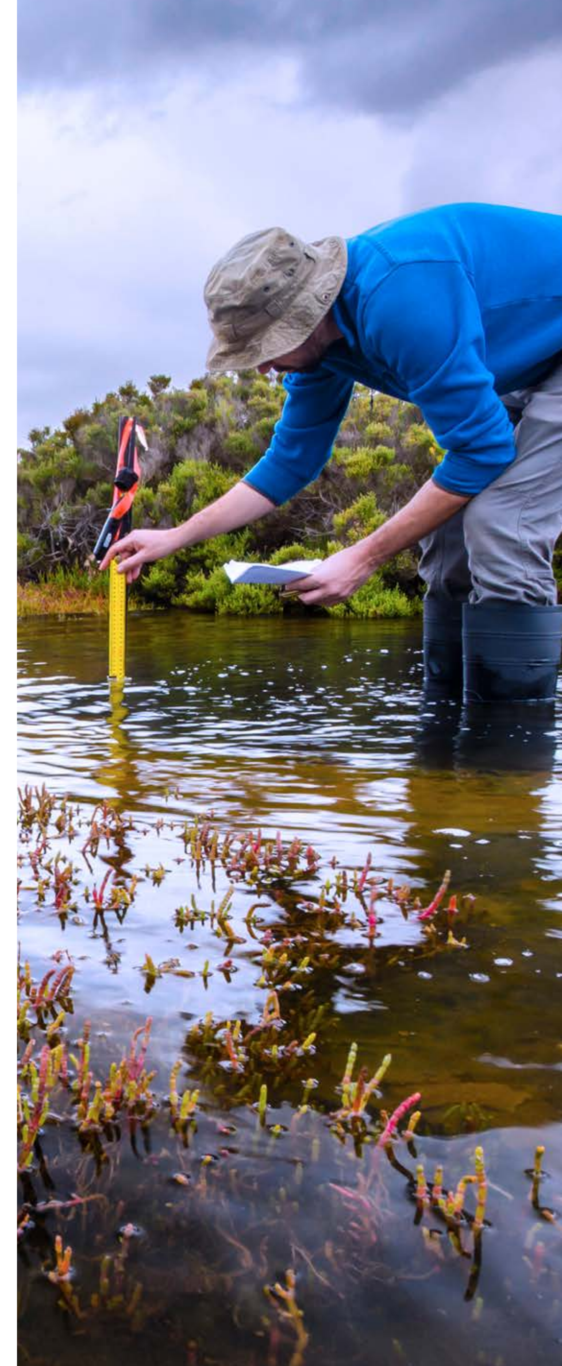
- Boards are reviewing existing governance structures and processes to ensure that they are fit for purpose
- Beyond the sustainability committee, directors are holding joint meetings with other relevant board committees
- Climate and sustainability are now part of the regular calendar for many boards
- Organisations are investing in board and senior executive climate upskilling and briefings with experts

RECOMMENDATIONS FOR DIRECTORS

- Holistically consider the adequacy of climate governance structures including use of existing board and committee structures. 'Set and forget' won't work
- Periodically undertake a robust assessment of the board's climate and transition skills
- Invest in climate change skills and competency across the business, including at board level
- Ensure alignment between executive pay and incentive structures and the organisation's climate and broader sustainability goals
- Actively consider the overlap between other sustainability issues and climate, including in governance frameworks

Suggested resources

- Bringing together ESG: Board structures and sustainability (2022)
- Introduction to Climate Governance e-learning module (2024)



Emerging better governance practice - discussion

A number of points of emerging better governance practice were evident in the survey responses and, in particular, director interviews and roundtables. These range from approaches to engaging the full leadership team through to the active role of the board in managing climate risk and transition.

These practices are noted in relevant chapters above and are elaborated on below.

STRATEGY

Champion long-term outcomes

The challenge of navigating apparent trade-offs between long and short-term priorities, particularly where transition strategies required significant capital expenditures, was highlighted repeatedly by directors. Many noted the importance of the board in prosecuting long-term strategy, often in the face of short-term pressures from stakeholders and executives.

> "Of course there is a role for the board to champion a longer term and broader view of nature and climate within their organisation. While the impacts are more apparent today in some industries, this will eventually become a strategic issue for all companies in one way or another." – **Holly Kramer MAICD**

LOOK FOR OPPORTUNITY NOT JUST RISK

The most sophisticated governance approaches saw boards moving away from a narrow focus on risk and instead taking a more holistic view of what the net zero transition means to their business. In particular a clear sentiment came through that often there was opportunity, even if not immediately apparent.

FOCUS ON BOTH CLIMATE ***AND*** NATURE

Although most directors recognised the bandwidth challenge of confronting the 'nature' challenge at the same time as climate change, nonetheless, it was acknowledged that this was the ideal, integrated approach. Nature based solutions were likely to be critical to both organisational and national emissions targets being reached.

The most attuned boards accepted that nature was increasingly becoming a mainstream concern for investors and there would be strong regulatory momentum towards standardised reporting, if not soon, then at least in the medium term. Significant upskilling of directors and senior executives will be likely given the relatively nascent state of current practices.

EXECUTION

Whole of organisation approach to climate

SOCIALISE AND EMBED YOUR TRANSITION APPROACH ACROSS THE BUSINESS

Directors highlighted the success of approaches which socialised climate considerations and strategy across the full leadership team, including the senior leadership groups in relevant businesses. Organisations which took this approach to transition strategy and included these senior leaders early on, highlighted the strengths of this approach - which included more effective and informed transition strategies, greater leadership alignment and streamlined implementation. These integrated approaches also often include undertaking focused capability development with the full leadership team.

ENSURE THE CFO IS CENTRALLY INVOLVED IN CLIMATE RISK AND OPPORTUNITY ANALYSIS AND TRANSITION PLANNING

The role of the Chief Financial Officer (CFO) as not only a critical stakeholder but a contributor to climate strategy was raised in multiple forums. As transition plans for many organisations become increasingly material, so too are their financial implications and stakeholder expectations to quantify impacts. Directors highlight the value of including the CFO early on – ensuring that transition plans and targets are integrated with the organisation's commercial strategy.

Directors reflected extensively on the steady increase in demand for depth and rigour in sustainability reporting. In this context, directors found finance teams were an increasingly valuable (and in many cases indispensable) contributor to this reporting effort.

> "Expectations are that people want to see financial and climate performance as one, which means producing integrated reports. It's hard to implement and govern at the higher standard if you have separate reports. " **– ASX non-executive director**

CLIMATE GOALS EMBEDDED INTO EXECUTIVE PAY AND PERFORMANCE FRAMEWORKS

When the business case is clearly laid out alongside a detailed transition plan, directors find it becomes easier to identify specific goals and outcomes to link to executive remuneration.

Ideally both short and longer-term incentives are tied to climate-related targets. Directors highlighted the opportunity and importance of including goals relevant to transition plans in long-term incentives, in particular. However, they also found some stakeholders remained opposed to such variable remuneration structures.

"The inclusion of climate in both short term and long-term incentives has drawn criticism from advisors of 'double counting,' even though there is recognition that climate is relevant to both long and short term KPIs." – ASX non-executive director

Credible, evidence-based transition plans

There was widespread recognition from senior directors that there was a step change occurring with respect to market expectations of climate transition plans. Plans need to be grounded in the latest climate science, underpinned by robust scenario analysis.

External validation through mechanisms such as the Science Based Targets Initiative (SBTi) was seen as the gold standard, and a key step to building stakeholder confidence in corporate transition plans.

Directors also highlighted the importance of clearly articulating what assumptions, contingencies and dependencies underpin transitions to avoid greenwashing accusations, and the need to continually review the viability of corporate plans. External assurance was seen as an important mechanism to manage such risks and provide boards with more confidence in the desired disclosures.

STAKEHOLDERS

Build a business case and an implementation plan

Build a strong and codified business case for transition, which is well understood by the full executive team.

The central importance of having a strong business case for transition and having shared understanding of this business case was highlighted by many directors. Directors noted the challenges that arise when this business case is not clearly understood and communicated with stakeholders, including with capital providers.

EMBED CLIMATE IN STANDARD COMPANY INVESTMENT DECISION-MAKING PROCESSES ACROSS THE BUSINESS

Directors note that embedding climate considerations as default practice in investment decision making has significant advantages. Mechanisms used to do this range from internal carbon prices through to specific climate strategy overlays for investment decisions.

Clear communication of transition costs and investment required

CLEAR AND CONSISTENT MESSAGES TO STAKEHOLDERS ON SHORT TERM VERSUS LONG TERM TRADEOFFS

It was widely recognised that trade-offs, and indeed dampened short-term returns, were likely to be unavoidable in many corporate transitions. This was challenging to manage given competing pressures from investors and other stakeholders, however organisations needed to develop a clear narrative explaining the business case for the scale and timing of necessary investment.

SEEK KEY INVESTOR AND STAKEHOLDER SUPPORT FOR PLANS

Given divergent market views on the urgency of the transition and costs investors should bear, it is critical that key investors and stakeholders are brought along the journey. Having their support will stand organisations in good stead when critiques follow.

REGULATION

Build industry coalitions

COLLABORATE AND SHARE UNDERSTANDING AND CAPABILITY ACROSS VALUE CHAINS AND INDUSTRIES WITHIN LEGAL CONSTRAINTS

Directors repeatedly highlighted the need to collaborate and share understanding and capability across value chains and across industries. This engagement was critical to the development of strategy in many industries, with companies attempting to determine when suppliers and customers would be ready to supply into or engage with their new or modified products and services. Directors saw an increasing role for industry bodies in supporting this continuing engagement.

The challenges of competition law constraints were repeatedly highlighted as a policy obstacle to whole sectors decarbonizing at a more rapid pace.

Use mandatory climate reporting as a platform

NEW REGIME A CATALYST TO RE-ASSESS ORGANISATIONAL CLIMATE STRATEGY AND LEVEL OF AMBITION

Many directors we spoke with cautioned against seeing the forthcoming mandatory reporting requirements as a mere compliance exercise. They urged organisations to see the new regime as a catalyst to re-assess climate strategy and the necessary level of ambition.

TAKING A STRATEGIC RATHER THAN COMPLIANCE-BASED FOCUS, WHILE MANAGING LIABILITY RISKS

However, there was widespread recognition that despite leaders' desire to be fully transparent on an organisation's sustainability approach, disclosures would be closely scrutinized by investors, regulators and indeed activists. This meant aspirational goals that were not backed up by a credible plan should be avoided to avoid greenwashing risks.

A balance needs to be struck between providing as much useful information to the market as possible, at the same time as having sufficient confidence in disclosures to avoid legal challenge.

GOVERNANCE

Elevate governance focus

What is clear is that leading organisations are taking a different approach to governance of climate risk and opportunity to adapt to rapidly evolving market dynamics and expectations,

BOARDS ARE REVIEWING EXISTING GOVERNANCE STRUCTURES AND PROCESSES TO ENSURE THAT THEY ARE FIT FOR PURPOSE

Leading directors reflect that the sustainability committee provides distinct and protected time to focus on climate governance and avoids having the topic crowded out by other priorities at specific times of year.

However, there is now a recognition that just having a dedicated sustainability board committees is unlikely to be sufficient for the largest, most scrutinised entities. Incorporation of climate considerations into the mandates and work plans of other committees encourages a more integrated and effective approach.

Equally, management reporting structures should be examined to ensure they are adequately supporting the oversight function of the board.

BEYOND THE SUSTAINABILITY COMMITTEE, DIRECTORS ARE HOLDING JOINT MEETINGS WITH OTHER RELEVANT BOARD COMMITTEES

ASX directors highlight the value of joint board committee meetings to deliver on their mandates without getting caught in silos. For example, the risk committee and sustainability committee to discuss climate related risks or the sustainability committee and remuneration committee to ensure incentives are aligned with organisational climate targets.

For more guidance on climate governance structures, see **this report** from Herbert Smith Freehills and the AICD.

> "I have found that the joint risk and audit committees that we bring together in APRA regulated entities, you've got all of the board in the room. but it is not a board meeting. It is a joint committee meeting. And you set the agenda up differently and the focus is different." **– ASX non-executive director**

CLIMATE AND SUSTAINABILITY ARE NOW PART OF THE REGULAR CALENDAR FOR MANY BOARDS.

Whereas previously climate change may have been seen as an occasional ad hoc board item, it is now seen as a mainstream topic needing regular boardroom time and discussion.

Whether it is on board agendas, incorporated into board or committee mandates, or a feature of strategy days, climate is increasingly a mainstream governance topic for many organisations.

INVESTMENT IN BOARD AND SENIOR EXECUTIVE CLIMATE UPSKILLING AND BRIEFINGS WITH EXPERTS

Directors are increasingly acknowledging the significant uplift in climate competency, at both board and management level, that will be required to navigate the net zero transition.

Depending on organisational resources, mechanisms to build capability include briefings with experts, formal education, industry roundtables and peer to peer learning.

Directors see climate competency as a non-negotiable going forward with investor expectations rising rapidly. Although not common practice, some directors see a need for climate experts on certain boards, especially those most exposed to a decarbonising economy.

Recommendations for boards, government and investors

BOARDS MUST CONTINUALLY REVIEW APPROACHES TO CLIMATE

Strategy

- Have a clear and shared understanding at board and executive level of the level of realistic climate ambition, and over what periods.
- Embed climate change considerations into the company's strategy, risk management framework and workforce planning.
- Consider interconnectedness between climate and other sustainability topics such as nature and biodiversity.

Execution

- Develop credible, science-based climate transition plans that are embedded at an organisational, and ideally asset, level.
- Adopt a strategic mindset focused on maintaining competitiveness in a decarbonised economy, rather than a compliance driven approach.
- Foster climate change skills and competency across the business, including at board level.

Stakeholders

- Build a strong, commercial and codified case for transition.
- Establish regular engagement with stakeholders, including understanding the range of perspectives and interests.
- Clear communication with internal and external stakeholders.

Regulation

- Continue to build and extend your understanding of the climate policy landscape for the company. Do this actively, as policy is evolving rapidly.
- Actively work to understand reporting obligations, and constructively challenge management implementation plans.
- Explore external assurance/validation options to provide greater confidence in organisation plans and limit liability exposure from reporting.

Governance

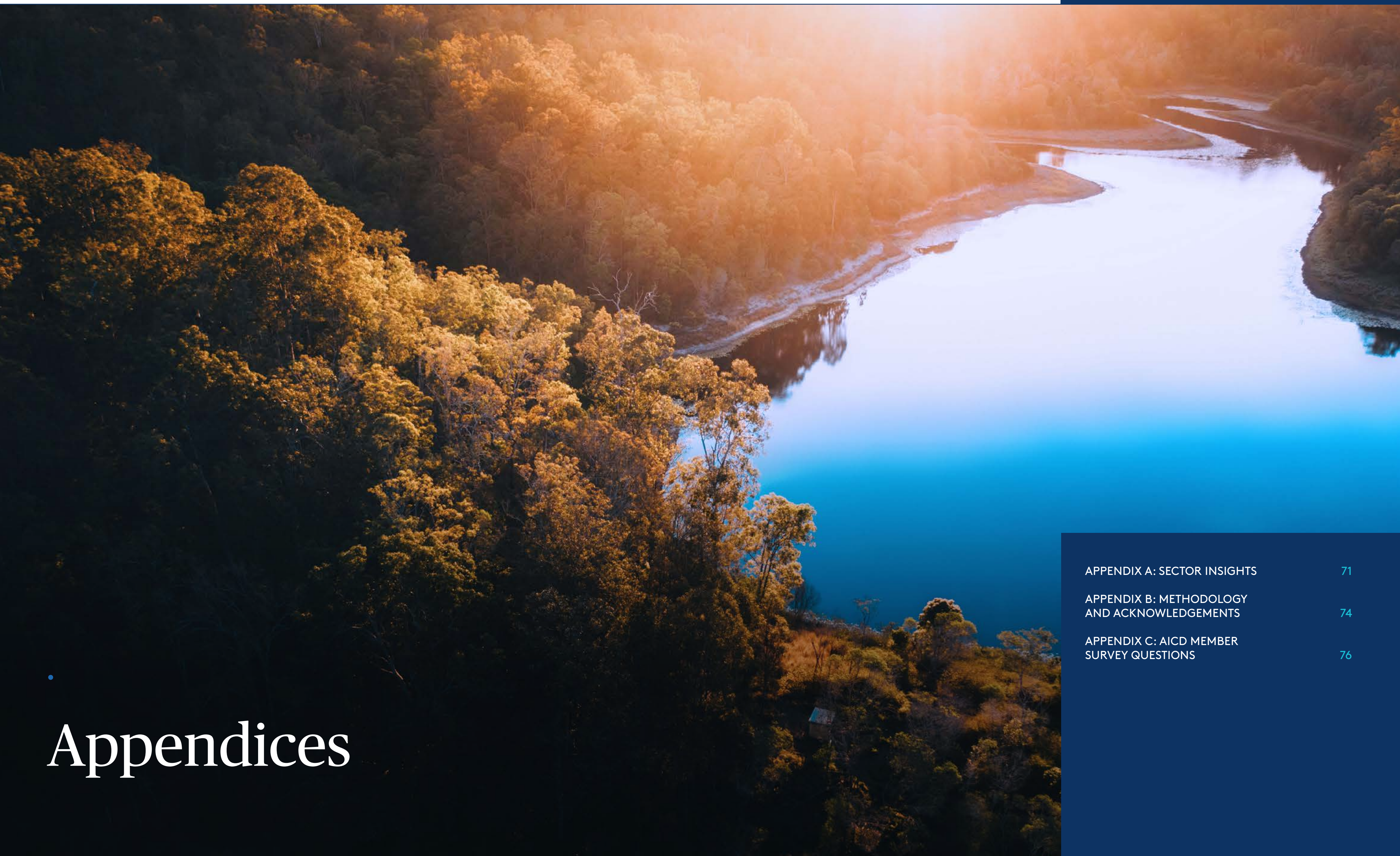
- Holistically consider the adequacy of climate governance structures including use of existing board and committee structures. 'Set and forget' won't work.
- Periodically undertake a robust assessment of the board's climate and transition skills.
- Invest in climate change skills and competency across the business, including at board level.
- Ensure alignment between executive pay and incentive structures and the organisation's climate and broader sustainability goals.
- Actively consider the overlap between other sustainability issues and climate, including in governance frameworks.

POLICY MAKERS URGED TO SUPPORT THE BUSINESS CASE FOR TRANSITION AND ADDRESS POLICY COMPLEXITY

- Policy makers should look to support the business case for transition and acknowledge current technological limitations preventing clear pathways in some highly exposed sectors.
- Address policy complexity, by providing an overall picture of the various strands of climate policy that underpin legislated emissions targets.
- Develop policies with sector-specific transition pathways and plans supported by priorities to stimulate demand for low-carbon products as well as evidence-based technology priorities.
- Support the development of mechanisms to ensure fair distribution of costs, fostering industry-wide participation.
- Address competition law concerns to allow industry to work together towards faster decarbonisation.
- Provide smaller entities and NFPs with targeted guidance and support to navigate the climate transition.

INVESTORS ADVISED TO CONSIDER THE FULL COST PROFILE OF TRANSITION

- Investors need to consider the full cost profile of transition and accept the impact on short-term returns.
- Longer term investors should publicly support genuine corporate efforts to decarbonize, and the level of investment required.
- Engage deeply with companies, especially those with embedded climate transition plans and longer investment horizons.
- Scrutinise and understand companies' short and long-term climate transition plans and their climate and nature risk profile.
- Act as market exemplars around managing climate risk and opportunity themselves.



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APPENDIX A: SECTOR INSIGHTS

This table contains a summary of views across the various sectors as captured in the AICD climate governance member survey

- **Very high = above 75% of director responses**
- **High = 50-75%**
- **Moderate = 25-49%**
- **Low = under 25%**

Top Risks	Listed	Unlisted	Government	NFP
Level of concern about climate risk	High	Moderate (reduced from high levels in 2021)	High (reduced from very high levels in 2021)	Moderate (reduced from high levels in 2021)
Level of opportunity	High	High	High	Moderate
Desire to do more on climate governance	High (Significantly up from Low levels in 2021)	High (Up from moderate levels in 2021)	High	High
Confidence in board's knowledge/experience to address climate issues	High	Moderate	Moderate (down from high levels in 2021)	Moderate (up from low levels in 2021)
Prepared for climate reporting	High	Moderate	Moderate	Low
Board activity: Average number of steps taken to address risks and opportunity	3.7	2.5	3.1	1.8
Organisational activity: Average number of steps taken to address risks and opportunity	4.8	3.4	3.9	2.8

Top Risks	Listed	Unlisted	Government	NFP
1	Regulatory/ policy uncertainty	Regulatory/ policy uncertainty	Operational impact	Operational impact
2	Liability regarding mandatory reporting	Liability regarding mandatory reporting	Regulatory/ policy uncertainty	Increased insurance costs
3	Operational impact	Potential regulatory costs	Scarcity of resources	Scarcity of resources

Top barriers	Listed	Unlisted	Government	NFP
1	Uncertainty over Australian policy	Uncertainty over Australian policy	Uncertainty over Australian policy	Uncertainty over Australian policy
2	Near-term business issues/investor demand	Near-term business issues/investor demand	Insufficient time/resource	Insufficient time/resource
3	Uncertainty over international policy	Uncertainty over international policy	Uncertainty over technology/ change cost	Complexity of topic

Top opportunities	Listed	Unlisted	Government	NFP
1	New products/ services	New products/ services	Measurable impact on environment	Brand recognition/ reputation
2	Brand recognition/ reputation	Brand recognition/ reputation	Brand recognition/ reputation	Measurable impact on environment
3	Measurable impact on environment	Customer satisfaction	Employee recruitment/ retention	Customer satisfaction

Top stakeholder pressure	Listed	Unlisted	Government	NFP
1	Investors/ shareholders	Customers (down from high levels in 2021)	Customers	Employees
2	Australian regulators (up from moderate levels in 2023)	Employees	Insufficient time/resource	Insufficient time/resource
3	Employees	Australian regulators	Uncertainty over technology/ change cost	Complexity of topic

■ Very high = above 75% of director responses

■ Moderate = 25-49%

■ High = 50-75%

■ Low = under 25%

Listed companies: Balancing risk and opportunity

Listed company directors exhibit a heightened concern about climate risks, matched by a strong recognition of opportunities. The desire for increased climate governance focus is significantly up from low levels in 2021, reflecting a priority shift. Confidence in addressing climate issues remains high, aligning with preparedness for climate reporting. Their top opportunities revolve around innovating new products/services and enhancing brand recognition.

Unlisted entities: Confidence remains lacking

Directors of private/unlisted entities have moderated their concern about climate risks from 2021, maintaining a high recognition of opportunities. An increase in the desire for climate governance attention aligns with a moderate level of confidence. Unlisted directors exhibit a moderate preparedness for climate reporting and organisational activity. Key risks include regulatory/policy uncertainty and liability regarding mandatory reporting, while opportunities focus on new products/services and brand recognition.

Government/public sector: Evolving governance strategies

Directors of government organisations express a continued high concern about climate risks, albeit reduced from 2021, coupled with a strong recognition of opportunities. Preparedness for climate reporting and board activity is moderate, highlighting the need for enhanced strategies. Their top risks encompass operational impact and regulatory/policy uncertainty, with opportunities centering on measurable impact on the environment.

Not-for-profit organisations: Goodwill but limited resources

NFP directors report a moderate concern about climate risks, showing a decreasing trend from 2021, while maintaining a moderate level of opportunity recognition. These directors exhibit increasing but still moderate confidence in addressing climate issues. However, this is in the context of low preparedness for climate reporting and organisational activity. Their primary concerns revolve around scarcity of resources, with top opportunities emphasising brand recognition/reputation and customer satisfaction.

APPENDIX B: METHODOLOGY AND ACKNOWLEDGEMENTS

The AICD conducted an online survey of 1,057 AICD members from 14 August – 8 September 2023. (Questions available in Appendix C).

Participation in the survey was based on self-selected volunteers (i.e., those who responded to the email). Results have been weighted to reflect the AICD's 51,000 members by age and gender.

Survey results are therefore representative only of AICD membership and not the director community at large. The overall maximum margin of error is +/-3% at a 95% confidence interval, with responses around the n=1,057 mark.

The AICD, with Pollination, conducted in-depth individual interviews with 13 senior non-executive directors operating in various sectors. Interviews lasted between 30 and 60 minutes. The discussion guide was framed by open-ended questions to explore the experience and perspectives of directors. The semi-structured interview process was used flexibly in each of the interviews.

Directors were selected for interview based on their experience and skills in climate governance with the aim to explore leading practice in the Australian market. This selection bias resulted in participants generally being senior directors which serve on boards of well-resourced entities.

The AICD also conducted roundtable consultations with 11 senior non-executive directors and chairs of board committees that consider and advise large and/or ASX listed companies on climate-related issues.

We would also like to thank the AICD advisory bodies, including the Climate Governance Initiative Steering Committee and Advisory Committee for their contributions.

The AICD would like to thank Pollination, particularly managing director Zoe Whitton, for partnering with us on this study.

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APPENDIX C: AICD MEMBER SURVEY QUESTIONS

This report includes highlights from the survey results. For full responses (including select comparisons with 2021 responses), please refer to the **2023 climate study data pack** available on the AICD website.

Q3. How concerned is your board about climate change as a material risk to your organisation?

Q4. What are the biggest environmental/ sustainability/ climate change risks that you are concerned about for your organisation? (Select up to 4)

Q5. To what extent does your board believe that the transition to a net zero economy may provide opportunity for your organisation?

Q6. What opportunity has/might the net zero transition provide for your organisation? [select up to 3 options]

Q7. To what extent do you agree with the following statement: "In my opinion, my board should increase the attention it pays to climate change governance."

Q8. To what extent do you agree with the following statement? "My board has the knowledge and experience to adequately address the climate governance issues facing our organisation"

Q9. To what extent do you feel the following issues are barriers to the board successfully governing climate change at your organisation? [select up to three]

Q10. What steps has your board taken to respond to climate governance, risk and opportunity? [select all applicable]

Q11. What steps has your organisation taken to respond to climate risk and opportunity? [select all applicable]

Q12. Are there any additional steps your organisation has taken not covered in question 11?

Q13. Does your board have a committee that considers and advises the board on climate change issues?

Q14. Does your board's skills matrix include climate expertise?

Q15. What steps has your board taken to upskill non-executive directors on climate competency? [select all applicable]

Q16. For some companies mandatory climate reporting will come into effect from 1 July 2024. Do you consider your organisation prepared for climate such reporting?

Q17. To what extent does your organisation feel pressure to act on climate change from the following stakeholders?

Q18. Does your organisation currently have a long-term climate target or net zero target and transition plan?

Q19. To what extent do you agree that nature and biodiversity loss are material financial risks for your organisation

Q20. Do you have any other comments you wish to make on your board's approach to climate governance?

ABOUT THE AICD

The AICD 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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