

Take on Board Podcast – Episode 271

Transcript – My recap of the AICD 2024 Climate Governance Forum



Helga Svendsen 0:00

Hi, folks. So this is an episode with a brief summary about the climate Governance Forum that was hosted by the Australian Institute of Company Directors in August 2024 in Sydney. I attended the forum, and we'll just give you a couple of highlights I think of each of the sessions that I went to, as well as for the concurrent event, some highlights from a guest.

Helga Svendsen 0:25

So first up, the event started as they always do, and as they always should, with a welcome to country by Yvonne Weldon, who reflected on the stories and truths of this ancient earth and I guess, reminded us of our, not our obligation, maybe our duty, to make a difference in our work and to hear the stories of First Nations people as we are working towards a joint future.

Helga Svendsen 0:52

She noted that perhaps the future is hearing the truth and bringing everyone together around the truth, and encouraged us to think about care, love and inclusion as we walk together for a collective future. She encouraged us to draw on First Nation spirits on the journey to guide us all. And as always ended with, always was, always will be Aboriginal land. It was a really lovely Welcome to Country. And as I say, I think it's important to always have a welcome to country at big events like this. So I thank the AICD for continuing to do so.

Helga Svendsen 1:31

We then moved into the welcome by Mark Regotti, the Managing Director and CEO of the Australian Institute of Company Directors, and he noted the very recent passing through Parliament of a climate related financial disclosure scheme had just at that time, passed in the Senate. So that's reflected on in a couple of the sessions that we had as well. He noted that effective climate governance is critical and one of the biggest transformations since the Industrial Revolution. He noted that climate change and climate governance is now a mainstream board issue and should be looked at through the lens of risk and opportunity, and that we are in a phase of moving from

ambition to implementation, whilst we now have mandatory climate change reporting, it's just one of the changes. And he noted that the Australian Institute of Company Directors was a strong supporter of mandatory reporting and the climate transition, and that the legislation that it just passed is a good balance between opportunity and obligation, and that now boards need to consider how it fits into board oversight in a more business as usual way. I guess.

Helga Svendsen 2:46

He then introduced James Graham, the chair of Coles, as chair of Coles. He stated that climate change is an opportunity and a responsibility, echoing the words of Mark Rigotti, and it needs to be embedded in how we conduct our business. He noted that it can only be achievable if there are high standards, targets, efficiency and accountability, and that as part of their climate change journey, they take into account feedback from customers, the community and team members, and the long term success is about harmonizing those expectations with the company goals. He talked about having governance structures in place to set those targets, to set the measures, and then to ensure oversight and accountability of sustainability and how it should be a core issue for companies, not an adjacency. He noted the ongoing journey of Coles that in 2019 their ambition was to reduce scope one and scope two emissions by 30% by 2020 and that this had been surpassed four years ahead of time. So they are now looking to a 75% reduction by 2030 they're doing this through solar panels, through renewable energy, and through large scale generators and the use of certificates. He talked about some of the challenges in measuring scope three emissions, which relies on other parties that they deal with to provide the information, and made the point in that that reporting on our climate change emissions is important for every organisation, even if you're not going to be caught up in the new legislation, other parties that you deal with will be required to report on their scope three emissions. So you'll be required to tell them what your emissions are, even if you're not legislative required to report, if that makes sense. So essentially, this is an issue for all organisations, whether you're caught up in the legislation or not. Again, he reiterated that the way to make a difference is to fully incorporate sustainability in every level. And setting those targets, they were the key. Key points that he made.

Helga Svendsen 5:00

We then moved into Q and A, which I won't go all the way through, but essentially, as I say, setting targets for emissions reductions, setting the accountability and oversight for that were the key themes. And what he talked about.

Helga Svendsen 5:15

There was then a session about preparing for mandatory climate reporting. This was moderated by Christian Gergis from the Australian Institute of Company Directors, and the panel members were Kate O'Rourke from ASIC, the Australian Securities and Investment Commission, Andrew Stevens from Stockland, and Timothy Stutt from Herbert Smith Freehills. In the notes that I've taken, I might

not always know who it was from the panel that was making comments with apologies in advance if I get any of that wrong for the panel members.

Helga Svendsen 5:48

So a brief overview, I guess, of what is being proposed. So mandatory climate reporting is in place for three reporting cohorts, which are managed by size, starting with the largest admitters and larger reporting entities. I'll go through that in a minute. They will need to so the group one entities need to start reporting by the first of January, 2025, group two entities by the first of July, 2026 and group three entities by the first of July 2027 but as was noted before, even if you're not in that mandatory requirement, other supply chain partners might be requiring that you give them the information as part of the scope two or scope three emissions. So organisations really need to start preparing for this. Whether it's mandatory for you or not.

Helga Svendsen 6:40

Organisations will need to make a separate mandatory sustainability report within their annual report, and the disclosures required are around governance, strategy, risk management and metrics and target disclosures under the Australian adaptation of Australian Reporting Standards one and two, this will be enforced. So non compliance is a civil penalty which can be invoked one year from the first of January, 2025 for those different ones that were required. So what is cohort one? What is cohort two? What is cohort three, Cohort One, 500 plus employees, a billion plus in gross assets, 500 million plus in consolidated revenue, you need to meet two of the three requirements. So if the arguments say 500 million plus in annual revenue, 500 plus employees, less than a billion in assets you are still covered by it.

Helga Svendsen 6:46

Cohort Two 250 employees plus assets of 500 million plus annual revenue of 200 million plus group 300 plus employees, 25 million plus gross assets, 50 million plus gross annual revenue. So that gives you a rough requirement around the reporting requirements. As I say, even if you're not covered by that, you probably still want to start thinking about this.

Helga Svendsen 8:11

What are the main disclosure requirements, current actions and effects around governance of climate risks and opportunities, identification of climate risks and opportunities. Scope, one, two and three emissions, the amount and percentage of assets or business activities vulnerable to climate risks and aligned to climate opportunities. Capital deployment towards climate risks and opportunities. Internal carbon prices and remuneration linked to climate so that is all the current requirements. And in the future, it is envisaged that you will also need to be reporting on

identification of climate risks and opportunities. Anticipated changes to business model and resource allocation, anticipated changes to financial position and performance in the short, medium and long terms, scenario in Ellison climate resilience Transition Plans and climate targets.

Helga Svendsen 9:06

So that's what's required under these new mandatory climate reporting requirements. As I say, this passed in the Senate very recently. Is the day before the climate Governance Forum, and most of the speakers really talked about start preparing for it, even if it's not required. And a number of organisations have started voluntarily doing their reporting based on the requirements anyway.

Helga Svendsen 9:31

So the advice from Andrew Stevens from Stockland, he had a 10 point plan, which I thought was pretty handy. First up, develop your measurement framework, and they use the TCFD framework. That is the task force on climate related financial disclosures. So folks might be worth looking up some of these things. And in fact, maybe we'll put a link in the show notes to that. So first up, develop a measurement framework. You might want to base it on the TCFD.

Helga Svendsen 9:57

Secondly, put in place some boundary for strategies for carbon emissions and climate transition action. Thirdly, estimate and measure carbon emissions. Fourth, plan to mitigate and avoid. Fifth, ensure incentives are aligned. Six, put in place effective governance and assurance mechanisms. Seven, measure your actuals so not just estimate, so estimate, but then measure your actuals. Eight, reevaluate in light of the progress that you're making. Step nine, assess physical assets, climate risk as well. 10, report and disclose and note that in that report you need credible operationalisation of any plans that you've got. So don't make outlandish claims, disclosure assumptions and disclose what you've done. So I thought that was a pretty good outline of what to do.

Helga Svendsen 10:54

So folks, it is something that we all need to get our heads around. There was a bit of discussion about whether or not for profits are excluded or not, and I might need to find this out or pop it in the Facebook group and see if there's some discussion. Because it seemed to me, it wasn't entirely clear about whether or not for profits were excluded or not. There was something about if you're registered with the ACNC, but then if you meet the requirements, you still need to report. So I'm a little confused about that, I confess.

Helga Svendsen 11:22

Alrighty. So folks, it's coming, and you need to pay attention, basically. So the next up was a panel around how to respond to the ESG backlash. This panel was made up of Prue Bennett from the Brunswick Group, Ken Dean from the Reformed Theological College, and Ming Long, who's a non executive director on a range of organisations. It was moderated by Naomi Edwards at the AICD. Can I just say at the outset, Ming Long was magnificent on this panel, not to say the others weren't also awesome, but she is just a superstar. So just a little bit of fan clubbing for Ming Long.

Helga Svendsen 12:04

There was some, I guess, reflections that sometimes the narrative around ESG is pretty ugly, particularly in the US and globally. And maybe that might lead some to think about walking back their proactivity on this. But as we just heard from the former session, there's some mandatory reporting that's required. Ming's reflections, and as I say, I loved her reflections that what's driving this shift might be a lack of understanding in the community that this change is required. And she noted that anything worth doing will bring some pushback. So climate change is disruptive. It's pervasive in almost everything we do, but it's important. So we need to communicate and be transparent about what we are doing and the principles, I guess, of a just transition. The backlash will always be there. We need to learn to deal with it, and it goes with the territory. So I thought her reflections were just fantastic in here. Basically lean into it. We need to be leaning into getting our marketing out there about sustainability reporting. We need to get better at both the reporting and the communication about it. Work with science and technology organisations like the CSIRO investing in climate change action that has to be part of the plan, and that even when there is some backlash on these things, and even when that might appear to be ideologically driven, she encouraged us to listen regardless, that some of that might be important, and that whilst it's pretty easy to attack on ESG, it makes it harder if it's not core to your strategy. So we need to get beyond spin and marketing and fluff, and need to really line this up to strategy so it's not something that's off to the side. It is core to what we are doing.

Helga Svendsen 13:54

The other speakers also reiterated this, that the value of ESG issues needs to be reinforced, not just the values. So I guess in this panel, there was some recognition that there might be some backlash, and also recognition that we need to highlight the opportunities of climate governance. We need to highlight transparency and good communication, and we need to listen as well.

Helga Svendsen 14:22

So the next session was, there was two concurrent sessions, one about investing in the future and one about not for profits and climate governance. I attended the not for profit governance one, so we got our Take on Board correspondent to report on the investing in the future boards, investors and climate change. So Jennifer Dean attended the investing in the future boards, investors and climate change. And the panelists there, Philip foo from APAC Research and Engagement and CGI

Glass Lewis, Damian Graham from Aware Super, Jun Bae Lu from Tribeca Investment Partners, and it was moderated by Christy Rourke from the Australian Institute of Company Directors.

Helga Svendsen 15:09

So the three takeaways that Jennifer reports, firstly, boards need to be aware of the timeframes and aims of the various investor groups, especially when listening to feedback and engaging. Super funds tend to have a long term, sustainable view with a focus on systemic risk, whereas investment managers can be more short term focused on performance. The message was to focus on the long term investors, and do not be sensitive to short term share price or investor noise.

Helga Svendsen 15:37

Second takeaway, significant investors expect directors to actively engage with them, be transparent, share their plans and show a keen understanding and awareness of the challenges, risks and opportunities associated with climate change and the transition. They also want the engagement to be two way with the board, asking them questions and for feedback.

Helga Svendsen 15:59

Third takeaway discussion about active investors versus activism view was that active engagement with boards can drive greater change, whereas divestment can inhibit transparency. However, if a company or an industry has an inability to transition or has limited future, then divestment is needed on long term, fundamentals also influence could be greater on private assets than listed assets due to the market noise and other types of investors. It was noted that AGL style activism works on lowered market cap companies versus the very large due to investment needed to have a significant holding. Awesome. Thanks, Jennifer.

Helga Svendsen 16:39

They are some excellent reflections, and thank you so much for being our special Take on Board correspondent at that session. And it was also awesome to catch up with you while we're at the forum as well.

Helga Svendsen 16:49

So the other concurrent session was not for profits and climate change, which I attended this session, the panel John Chadwick from PwC, Keith Rovers from Minter, Allison Natalie Walker from the Paul Ramsey Foundation, and it was facilitated by Anna Goodkov from the Australian Institute of Company Directors. So in this panel, the various panellists, I guess, encouraged organisations to

firstly understand your organisation's footprint, set targets, set metrics. Secondly, understand governance obligations. Thirdly, understand stakeholder views and address those within your strategy. Fourthly, identify the risks and how you're going to mitigate them. And fifthly, and really importantly, identify the opportunities as well, the opportunities to change or to expand, it might be to incorporate or modify into your purpose or to partner with others. So it was a bit of a theme throughout the whole climate Governance Forum and in this session as well. Opportunities. This is not just inverted commas a risk, it is an opportunity. So work with those opportunities as well.

Helga Svendsen 18:02

One other point that was made was for not for profit organisations to think about how they're investing their dollars as well. Often there is a philanthropic trust of some form. So it's not just the operation of the organisation in thinking about how you might incorporate climate governance principles, but also in the way you invest your funds in whatever sort of foundational trust you might have. Again, this point was made in earlier sessions as well, but for your organisation, even if you don't have to report, partner organisations you work with will need to report so you will need to provide your data. So you may as well just get used to the frameworks, even if you're not absolutely required to report. And one question was about what should not for profits be doing to prepare? And the answer to that was, understand your direct impact, your indirect impact, and the supply chain you're in and the supply chain you use. And also really encourage just don't be afraid to ask for help. Ask those larger organisations in your supply chain who are already reporting, and they will help you to do it as well. So I thought that was a really good tip.

Helga Svendsen 19:09

Once we got to the end of this session, the one piece of advice John Chadwick's one piece of advice was, just start, start the conversation. Start the metrics. So this, in some way shape or form is going to be applicable to all, not for profits. So get on it.

Helga Svendsen 19:24

Natalie Walker's one piece of advice, see climate as an important and fundamental part of all risk and all strategic opportunity. Look at how it impacts people, how it impacts clients, how it impacts finances, how it impacts reputation. So look at both sides of the coin there, and from Keith Rovers, here's one piece of advice, ESG, trends are here to stay. So for purpose based organisations, look at the opportunity to tap into the value and unlock value in the value chains. Look at opportunity such as regularity and think broadly.

Helga Svendsen 20:02

The next session, we had the honourable Tanya Plibersek, Minister for Environment and Water, present, unfortunately, well, unfortunately for us, fortunately for her, she got pulled away to go up to the Great Barrier Reef for an announcement up there. So she was unable to be with us in person, but she did with the wonders of modern technology come into us via whatever platform. And this session was moderated by Louise Peschler.

Helga Svendsen 20:30

So some of the things that she noted on in her presentation were about nature, positive planning and circularity, so kind of encouraging us to think about biodiversity and thinking about it broadly in dealing with climate change, and the biodiversity is the other side of that climate change coin, I guess, and the impacts on biodiversity and that we need to think about our customers and stakeholders in thinking about the impact on biodiversity. She also gave us shout out to and I think it's coming up quite soon, the Global Nature Positive Summit, which is happening on the eighth to 10th of October in Sydney. So she'll be there, and others will be there. And if anybody's around Sydney or can make it, it sounds like an interesting get together. It's a getting together large international businesses who can wrestle with nature positivity and what it means and the impact on biodiversity.

Helga Svendsen 21:24

Whilst Biodiversity Action Reporting will come at the moment, it's not mandated. So again, might be something you just want to get ahead of the game with and think about how we can report on things like biodiversity loss, circularity and so on. And she reflected that it's a bit of a no brainer, particularly if you're selling into European markets, that the business community here have an opportunity to reassure markets and reassure others that it's something we want to deal with. And she finished with answering a question from the audience about what's one thing for all of us to think about and take into the boardroom. And her response on that was, think about the impact on nature. Look for ways that nature positive principles, can be incorporated into the work of your organisation. Because it's in the interest of business to do this, and it's investing in the future, to leave a better Australia for our kids and for our grandkids.

Helga Svendsen 22:21

The next session linked beautifully in this it was the board's role in nature and biodiversity. The panel for this session was moderated by Laura Bacon from the Australian Institute of Company Directors, and the panellists were Sarah Barker from Pollination, Ken Henry from the Nature Finance Council, and Judy Slater from WWF.

Helga Svendsen 22:43

First up, they just talked about, What is nature capital and why should boards be concerned? Ken Henry jumped in on this and talked about how we've been talking about nature capital for years, but not much has been done about it. So nature capital is distinguished from physical capital in that physical capital can be built nature. Capital is about the resources we dig up, or the ecosystem, like the bees that help with all of our agriculture and so on, and environmental amenity. And he talked about how commercial capital depletes nature, but for organisations and businesses to be successful, we need to start thinking in a regenerative way, rather than just a commercial way, so that we don't lose our natural capital, which then contributes to the commercial capital, if that makes sense. So we need to have a more regenerative view of the society, the community, the economy that we are living in. We can't just continue depleting through commercial capital.

Helga Svendsen 23:49

And the other speakers also spoke in similar terms about how we've gone into nature debt over the last decades, and we can't continue to do that. It's not sustainable. Sarah Barker may have summed it up. Well, I think summed it up beautifully when she said, why should we care? There's just two reasons. And look, she said, this might not apply to all of the organisations that are here, but if they do, then you'll need to think about it, two reasons why we should care. Firstly, money. Secondly, it's the law. So she got a good laugh out of the room there. Because essentially, this applies to everybody.

Helga Svendsen 24:24

Why should we care? Because, in terms of money, we're eating into our planetary principle, rather than just the interest on it, and that is unsustainable. So we need to think about this, because it has financial value. Secondly, why should we care? It's the law. We have duties, and we need to deal with foreseeable risks and opportunities. We need to exercise due care and diligence and to manage risk. So if the usual pushbacks from people are, oh, that's not material for us or Well, that's not the test. It's not. The test is not, is it material? The test is, is it foreseeable? And yes, it is. And if you're thinking that it's not foreseeable, or even that it's not material, she says you haven't looked into it. Yes, it's hard and complex, but we don't get to choose what we deal with. We can't put off some of the risks, like cyber risk. It is upon us, so this depletion of our natural resources is impacting almost every organisation, every company in the world. As she says, You need to care, because it's about the money and it's about the law. I love the way she put it.

Helga Svendsen 25:34

The key things from Judy at WWF, she said, just start small. Pick something. Pick the easiest thing in your list to think about in terms of regenerative work, or in terms of biodiversity or in terms of nature, and do it and learn from that.

Helga Svendsen 25:50

Ken Henry his takeaway, ask management a question about leadership in this space, and ask, is there an opportunity for our business to have a leadership role with respect to being nature positive. Great advice.

Helga Svendsen 26:07

Sarah's one question was to ask, tell me, what are the top three nature related impacts and dependencies for our business? Don't ask, What's material. Ask, what are the top three nature related impacts and dependencies, and then ask how that's incorporated into the risk management framework. Great session, and really encouraged us to think more broadly and how it really does impact every part of what we do.

Helga Svendsen 26:36

Next session, transition plans, development and execution panellists, Ben Caldecott from Oxford Sustainable Finance group, Holly Kramer from Fonterra and Woolworths, Fiona Wilde from Global Carbon Capture and Storage Institute. And this was facilitated by will Simons from Deloitte.

Helga Svendsen 26:59

The first part of my notes here say this, it's the end of the day. The slides that are used by the speakers have too many words for me to read from the back of the room. It's very dark and making it difficult for me to take notes. So this summary will not be a great one. So folks, with apologies to the speakers and to you dear Take on Board listeners. My notes for this one were not fantastic because there were some challenges with it. So I am going to leap straight to the takeaways.

Helga Svendsen 27:28

So here's the key takeaways from Holly, focus on opportunity, hardwire your reporting into the organisation and educate yourself and the board about what is required and the nuance of what is required. From Ben, his takeaway was, crack on with your transition planning, and don't overcomplicate it. Just focus on what you can do and then just start. And from Fiona, her takeaway is, do not let the perfect be get in the way of the good and be curious.

Helga Svendsen 28:05

Oh, all right, folks, that was a bit of a rollicking through the climate Governance Forum. As I say, the key takeaways for me were, we need to get on and do this. If you're not doing anything around

climate governance in your organisation, then, now is the time to do so. Firstly, you need to check whether you are caught up in the mandatory reporting and when. But even if you're not caught up in the mandatory reporting, you need to get start getting your head around this stuff, because you will likely be required to provide data for other organisations as part of scope two or scope three, or supply chain reporting.

Helga Svendsen 28:44

The second theme that I heard was climate governance is, yes, it's a risk and it is equally an opportunity. So really start to look at the opportunities that are available here.

Helga Svendsen 28:57

And I think the third theme for me came from the nature positive session, and that is that this is about the money and the law, so we cannot ignore it. It impacts everybody, and we should start thinking about regenerative practices and not just practices that deplete. And that is, again, for any organisation. So there you have it, folks, the climate governance 2024 wrap up. Thanks so much for tuning in to this summary session of the climate Governance Forum.

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