

# RAISING THE BAR

Managing Climate Change Risk In Public Authorities

## AT A GLANCE

### WHAT IS THIS PAPER ABOUT?

*Raising the Bar* is a report from the Centre For Policy Development's Sustainable Economy Program.

It recommends clear, transparent policy direction for public authority directors. This can enable public authorities to contribute to a whole-of-government picture of climate risk that meets and raises the standards that apply to all organisations, public and private, in discovering, disclosing and addressing climate risk.

*Raising the Bar* examines the legal and practical aspects of how directors' duties in public authorities and government-owned corporations (GOCs) apply in relation to climate risk, and makes six recommendations for best practice.

### WHAT'S THE SITUATION?

Over the last decade there has been a significant change in the level and sophistication of climate change risk management expected from private corporations. This has been led, in large part, from investors who demand better disclosure. Despite facing similar or stronger notional duties, the public sector has not kept pace.

Public authorities include some of the most critical parts of our economy and society – utilities companies that provide essential water or electricity, or investment funds that support the retirement of public sector workers. Public authority management of essential services, utilities, infrastructure and investments makes the risks carried by public authorities central to a detailed picture of Australia's national climate risk.

Raising the Bar looks at the water sector as an example, examining language in 2019-20 annual reports of public water authorities nationally. While all entities assessed acknowledged climate change as a risk, less than half articulated climate change risk management KPIs or disclosed climate-related financial risks in annual reports.

CPD analysis of annual reports found that of the public authorities examined that mentioned climate change multiple times, only one in three - 37 percent - mention 'climate related financial risk'.

As more investors, companies, and governments respond to climate change, we can expect growing scrutiny on public authorities to discover, disclose and address climate-related risks.

### THE WAY FORWARD

While the climate reporting practices of some public authorities are moving towards best practice - the reporting practices of many others are not.

Raising the Bar highlights steps some states and public authorities are taking to manage climate risk in the hope others may follow their approach.

A systematic and intentional approach can build sound authority-specific risk reporting architecture that contributes to a whole-of-government picture of climate risk exposure and response.

### The report recommends:

- » **Give clear and transparent policy direction** through ministerial statements
- » **Standardise the technical frameworks** for risk assessment, particularly around financial risk disclosure, for example by adapting the private sector framework from the Task Force on Climate-related Financial Disclosure
- » Create a **whole-of-government picture of climate risk exposure**
- » **Leverage audit offices' authority** to consider climate change risks among government agencies and/or public authorities
- » **Invest in building capability** and capacity
- » **Influence private sector take-up** of climate change risk reporting