Credible Transition to Net Zero
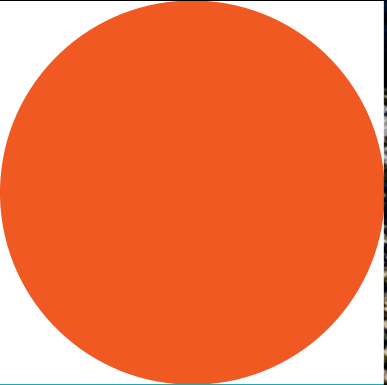
Practical insights for getting started

Written by CEOs, for CEOs

November 2023

CLIMATE
LEADERS
COALITION

An initiative of **THE B TEAM** ▶ Australasia

Acknowledgement of Country

The Climate Leaders Coalition acknowledges and pays our respects to Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia, whose ancestral lands and waters we work and live on.

We honour the wisdom of and pay respect to Elders past and present and acknowledge the cultural authority of all Aboriginal and Torres Strait Islander peoples across Australia.

Foreword

> ❝ It is not just about how we make transition plans work. We need to make sure our Climate Transition Action Plans set us up for **transformative success** over key time periods.
>
> We need to **solve problems collectively to achieve a credible outcome**."

Edgar Basto, BHP
COO, BHP & CLC Project Lead Sponsor on behalf of CLC Members

Our Climate Leaders Coalition purpose is to share knowledge, test, learn and ultimately accelerate Australia's transition to a net zero economy.

Aligned to this purpose, in 2023 our coalition of 50 member organisations learnt and shared what is required on the journey to a credible transition.
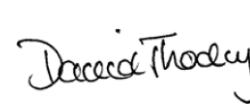
The following pages provide a snapshot of member learnings about the ongoing process an organisation goes through to determine a credible transition, within the context of the rapidly evolving regulatory environment.

This process is facilitated by a Climate Transition Action Plan (CTAP), which outlines the actions an organisation needs to take to reach its aims, and is rapidly becoming a mandatory disclosure requirement across the globe.

By sharing our experiences, we aim to equip CEOs of all organisations to get ahead of the curve to identify opportunities and overcome challenges for their organisations and communities as they navigate their transition and the development of their CTAPs. We explore how this can be informed by diverse voices throughout the pursuit of a responsible and equitable transition, and in a way that stands up to external scrutiny.

This is not a static issue, and the thinking and actions will continue to evolve as our CLC members firm up their CTAPs and continue their work in 2024.

On behalf of our CLC members, we invite you to explore how you too can get started on your credible transition journey.

David Thodey
Climate Leaders
Coalition Co-Chair

John Lydon
Climate Leaders
Coalition Co-Chair

Lynette Mayne
Climate
Leaders Coalition
Executive Chair
B Team
Australasia

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This is written by CEOs for CEOs. Recognising that each organisation's transition will look different, we offer insights and a useful lens for CEOs to consider for their path to net zero.

Why act?

The world is not on track to address the threat of climate change. **Action is needed now.** The **private sector** has a critical role to play in **accelerating the transition**. Organisations taking **swift action** will be **rewarded in the long-term**.

Taking action presents enormous opportunity to **enhance resilience, safeguard value**, and **pursue win-win opportunities for both organisations and communities**. Action is through our organisations' transition, not on top of it.

Action cannot be undertaken alone. Work within your sector, with your ecosystem, with government and with your peer leaders to **overcome barriers.**

We are on a journey

These insights have been **shared by CEOs** of some of Australia's largest organisations who are **on the journey to a credible transition** and committed to change through collaboration.*

It shares **insights from diverse perspectives, aimed specifically at CEOs** to support you to consider how to get started and integrate the transition into everyday business decisions, wherever you are on your journey.

The **transition involves an ecosystem**. Diverse stakeholder voices from across the ecosystem have shaped our CLC experiences and are captured to help CEOs navigate complexities.

* Consideration needs to be given to competition law constraints; however, progress can be achieved through careful management of any engagement with competitors.

How to use these insights to shape your actions

Based on our CLC learnings, the key actions for CEOs to get started on their credible transition and capture in their Climate Transition Action Plans (CTAP) are:

1 **Act now** to be ahead of **opportunities** & manage **threats**

2 **Collaborate** through the **ecosystem** of **peers** & **diverse voices**

3 Place credible transition at the **heart of your organisational strategy** and **capabilities**

… these actions are enabled by key organisational change drivers connected to everyday business decisions.

CEOs **can get started now by asking critical questions** to their Boards, Executives and Teams. *Read on for more.*

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*A **credible, responsible and equitable transition** is a transition to a net zero economy that is **grounded in integrity** by bringing together organisation, government and community perspectives.*

*This document focuses on the **ongoing process an organisation goes through to determine a credible transition**. This process is facilitated by a CTAP which is the document that outlies the actions an organisation's needs to take to reach their aims.*

Why act?

The time to act is now. Climate change is one of the greatest threats of our time. **Taking action represents a major opportunity.** The external environment is moving rapidly, and many are making complex choices and trade-offs.

Urgency is increasing…

The impacts of climate change depend on the choices we make.

Impacts are materialising now, creating new threats when coupled with **losses of global biodiversity and environment degradation.**

> **"T**he extent to which current and future generations will experience a hotter and different world depends on **choices now and in the near term."**

Intergovernmental Panel on Climate Change (IPCC)

Source: Climate Change 2023 Synthesis Report[1]

Stakeholders – regulators, investors, providers of capital, customers, communities and workforces – expect **practical and tangible actions** that demonstrate how companies will transition.

> **"L**ip service won't do. We need **credible actions and accountability.**
>
> **Every business and investor**; every city and country must '**walk the talk'** on their net zero promises."

Antonio Guterres Secretary-General of the United Nations

Source: Meeting with the UN Global Compact Board 2022[2]

…and there's a critical opportunity to accelerate progress

The transition is clearly **no longer optional** - there is **growing urgency, competition, compliance obligations, and widespread scrutiny of organisations' responses.**

Collaboration across ecosystems is central to build for the future and **champion prosperity** for Australia, and there are **considerable economic opportunities associated with the transition.**

The 2023 '*All systems go: Powering ahead'* report[3], visualised below, models the economic impacts of Australia trading in global decarbonisation:

Competitive decarbonisation compared to *Today's net zero* shows the impact of boosting decarbonised industrial supply chains for trade as part of current policy.

→ **$AUD 435bn** total **economic opportunity** from trading in global decarbonisation by 2050

Today's net zero compared to *Low and slow* shows the impact of Australia achieving current policy targets and commitments.

→ **$AUD 270bn** total **loss** if Australia does not overcome decarbonisation challenges by 2050

③ **Competitive decarbonisation**
② **Today's net zero**
Today's economy
① **"Low and slow"**

2023 ———————————— 2050

① **'Low and slow':** No further policy action from current trajectory to meet net zero.

② **Today's net zero:** Australia's economy meets current targets to reduce emissions by 43% in 2030 and net zero by 2050.

③ **Competitive decarbonisation:** Australia competitively decarbonises via increased investment and productivity.

From insights to action

CEOs have 3 clear actions to take, as informed by our CLC learnings, to enable a credible transition that is captured in a Climate Transition Action Plan.

CLC Learnings

- Organisations that take a **leadership role now** within the context of their sectoral challenges will be **better positioned for increased commercial value and opportunity**

- **Active and ongoing participation** across the **ecosystem** is the key to building resilience

- Change then needs to be **embedded from the top-down**, driven by **engaged and informed leaders**

CEO Actions

1. **Act now** to be ahead of **opportunities** & manage **threats**

2. **Collaborate** through the **ecosystem** of **peers** and **diverse voices**

3. Place credible transition at the **heart of your organisational strategy** and **capabilities**

Change Drivers

- **Leadership mindset**
- **Risk & opportunity**
- **Stakeholder expectations**
- **Strategy**
- **Access to capital**
- **Culture & capability**

*Wherever your organisation is on the journey to a credible transition and developing your Climate Transition Action Plan,*

CEOs can get started now by asking questions aligned to this document's step by step approach.

*See **Questions for CEOs to ask** on the next pages*

Get started with key questions for CEOs to ask (1 of 2)

CEOs can **get started** on their journeys to a credible transition and capture actions in their Climate Transition Action Plans by asking **critical questions to their Boards, Executives and Teams**. One output of this work is an organisation's Climate Transition Action Plan, however the whole process of transition is larger.

Positioning Choices
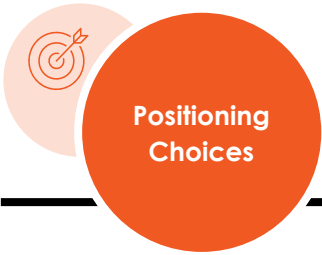
What is your future direction and where will you focus your actions?

A credible transition is an **ongoing process** and different organisations will come to these steps at **different stages of their journey**

The steps follow a logical flow, however an **organisation can jump into any step** to gather insights to accelerate their transition to net zero

Step 1	**Step 2**	**Step 3**
Determine your organisation's future and value creation opportunities	**Assess the gaps and identify areas of focus to overcome challenges and uncertainty**	**Identify and engage with key stakeholders and diverse voices across the ecosystem to achieve a responsible and equitable transition**

Step 1
1. What will our organisation look like in 2030 and what do we need to do to achieve this future state?
2. How do we ensure we adapt to changes in climate and nature in our external environment, and progress toward our future state?
3. What is our role in the ecosystem to accelerate transformation and what are the benefits to our organisation and stakeholders? Who are our key partners?

Step 2
1. How significant will the impacts be on our organisation if we do not successfully transition?
2. Are our transition focus areas aligned to both external best practice frameworks and our core business strategy?
3. Is there a clear understanding across our organisation of what is required to transition our business in a credible, responsible and equitable way?
4. Do we understand how to set targets based on science, and align them to our future state and focus?

Step 3
1. Have we identified our key stakeholders, how they are impacted, and how we can develop shared goals to benefit us and them?
2. How do we ensure stakeholder feedback is heard and informed, and can be reported on?
3. Where communities may be impacted, how will we help to reinvigorate them?
4. How do we effectively capture and act on the unintended consequences from our learnings and stakeholder engagement processes?
5. Have we considered the differences between stakeholders' perspectives and our business practices? What do we need to adjust?

Read on for more insights, tools and case studies - use the ➤ links above to navigate to specific sections

Get started with key questions for CEOs to ask (2 of 2)

CEOs can **get started** on their journeys to a credible transition and capture actions in their Climate Transition Action Plans by asking **critical questions to their Boards, Executives and Teams**. One output of this work is an organisation's Climate Transition Action Plan, however the whole process of transition is larger.

Activation Choices
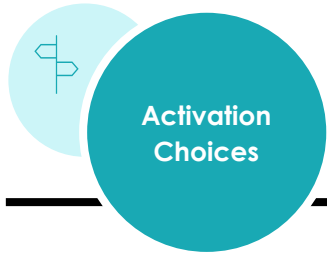
What mechanisms are required to succeed?

A credible transition is an **ongoing process** and different organisations will come to these steps at **different stages of their journey**

The steps follow a logical flow, however an **organisation can jump into any step** to gather insights to accelerate their transition to net zero

Step 4 ↖

Identify, prioritise and resource key actions in line with targets that reflect areas of focus, stakeholder engagement, and value creation opportunities

1. What do we need to prioritise in order to align with our long-term aspirations and stakeholder needs?
2. Are we being ambitious, yet also transparent, in how we plan to achieve our targets and measure our progress? Where are the areas that our actions may not be seen to be credible, and how could we address this?
3. Are we taking appropriate steps to communicate to internal and external stakeholders about changes, opportunities, risks and performance regarding our Climate Transition Action Plan (CTAP)?
4. Have we introduced the right investment processes that enable the shift of capital allocation towards our transition?

Step 5 ↖

Determine the governance mechanisms, leadership and team capabilities needed to operationalise the transition

1. How should we engage, incentivise, and educate our leadership teams to take the necessary ownership and actions?
2. What governance mechanisms need to be in place to monitor, review and achieve progress towards credible transition? Are there triggers or thresholds we need to identify?
3. Have we identified the gaps in our organisation's understanding of the responsibilities and skills needed for a credible transition, and how could we address any gaps?
4. What more can we do as an organisation to embed a culture that motivates individuals to take personal ownership of a credible transition, including individual incentive mechanisms?
5. Have we allocated sufficient capability for effective change management?

Read on for more insights, tools and case studies - use the ↖ links above to navigate to specific sections

The Evolving External Environment

Positioning Choices

Activation Choices

What is your future direction and where will you focus your actions?

What mechanisms are required to succeed?

Starting Point	Step 1	Step 2	Step 3	Step 4	Step 5
Understand the evolving external environment trends that illustrate the need for a credible transition	Determine your organisation's future and value creation opportunities	Assess the gaps and identify areas of focus to overcome challenges and uncertainty	Identify and engage with key stakeholders and diverse voices across the ecosystem to achieve a responsible and equitable transition	Identify, prioritise and resource key actions in line with targets that reflect areas of focus, stakeholder engagement, and value creation opportunities	Determine the governance mechanisms, leadership and team capabilities needed to operationalise the transition

Key takeaways:

1 Climate change is here and now. The **way we have worked in the past will no longer suffice** and the pace of change requires a **swifter and bolder response**.

2 **Ecosystem thinking** is a critical skill for the future. Organisations need to adopt a **strategic and rounded approach to ecosystem collaboration**, recognising the impacts to and dependencies on nature, communities and society as a whole.

3 Consider the transition **beyond just carbon emissions**. Preparing for **shifts in the regulatory environment** will help organisations get ahead.

Starting Point:
Understand the **evolving external environment trends** that illustrate the need for a credible transition

Climate change is here and now. CEOs need to understand evolving external regulatory frameworks and socio-environmental shifts to make informed decisions about their transition.

A Climate Transition Action Plan (CTAP) is no longer a 'nice to have' as the system architecture to support credible transition plan disclosure is taking shape worldwide.

CLC members recognise that we are on a journey to achieving the goal of a credible transition, and are at different starting points and levels of maturity.

Wherever Boards and CEOs[4] are starting from, this journey needs to take into account the rapid evolution of regulatory standards and stakeholder expectations, which reflect the growing urgency to assess, address and be transparent about climate-related challenges.

The latest ISSB standards – S2[5] require organisations that have a CTAP to disclose it, along with its critical assumptions and dependencies.

In their standards, the ISSB defines a CTAP as an "*aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy.*"

ISSB S2 will apply where it is mandated or voluntarily adopted in local jurisdictions. In Australia this will be progressively rolled out over 3 years from July 2024. The EU and other global markets are also looking at transition plan disclosure frameworks and legislation.

One key development is the UK Transition Plan Taskforce (TPT), launched by UK HM Treasury in March 2022. The TPT Disclosure Framework[6] has been deliberately designed to align with, and complement, the ISSB and it is being increasingly recognised as a global gold standard for transition plan disclosures and is a foundational framework for our CLC members.

On the other side of the Atlantic, the US Department of the Treasury released their Principles for Net Zero Financing & Investment[7] which outlines their view on what a credible commitment is and how to get there.

Australia is gearing up - Recent developments in Australia demonstrate momentum around CTAPs, including:

Australia's proposal for mandatory climate-related financial disclosure[8] based on ISSB S2 has indicated that it will introduce new disclosure requirements on CTAPs, commencing in 2024/2025. A key priority of Treasury's 2023 Sustainable Finance Strategy[9] will be "*supporting credible climate transition planning and target setting.*"

Financial market regulators are also turning their attention to corporate climate risk management. APRA[10] and ASX[11] provide guidelines on management and disclosure of climate and transition risks and ASIC[12] expects to see continued improvement in disclosure practices.

In a recent joint statement, IGCC, CDP and UN Principles for Responsible Investment[13] recognised CTAPs as an essential component of corporate reporting. They have called for the Australian Government to establish "*a clear framework for developing and disclosing transition plans which supports a whole-of-economy just transition aligned with limiting global temperatures to 1.5℃.*"

In 2023, the Australian Government[14] announced that it would develop Australia-specific sectoral decarbonisation pathways and plans to reach the nation's net zero goal. These pathways can provide data on tipping points and technology milestones, specific to a company's sector and local context, which can better inform implementation and investment strategies.

The Australian Sustainable Finance Taxonomy[15] is now in development, leveraging the approaches of existing global taxonomies. It will outline what sectors and activities will best support sustainable outcomes in Australia, which will support companies with establishing robust transition strategies.

Climateworks CENTRE

Emerging best practice criteria to consider

according to Climateworks Centre as an independent subject matter expert

We remain far from meeting the Paris Agreement goal, and only 25% of the ASX200 have set science-based emissions reduction targets up to March 2023, according to the UN Environment Programme (UNEP)[16] and the Australian Council of Superannuation Investors (ACSI)[17].

> "CTAPs require **systems thinking**, which enables us to understand how our interdependencies can shape our trajectories and how we can shape them.
>
> Credible decarbonisation pathways will naturally vary according to what type of company you are and where you are located, so integrating these dimensions into your CTAP will **strengthen your plan's credibility.**"

Anna Skarbek, CEO
Climateworks Centre

Growing levels of scrutiny on corporate climate disclosures, globally and in Australia, indicate **organisations need to be thinking beyond disclosure and target-setting to taking real action to demonstrate credibility and integrity**. The Australian Competition and Consumer Commission[18] (ACCC) is cracking down on greenwashing, after conducting an internet sweep, which found that 57% of the 247 businesses were making concerning environmental claims.

In conjunction with growing alignment on what a CTAP should look like and contain, **thought leadership is now focusing on what truly counts as 'credible' and how companies can uphold best practice**. This will vary by sector and geography to accommodate technological and physical dependencies, as well as just and equitable transition principles.

Many leading global organisations provide best practice credibility guidance for corporations to consider when developing their CTAPs, including the United Nations High Level Expert Group[19] and Race to Zero Campaign[20], the Science Based Targets Initiative[21], Climate Bonds Initiative[22] and the Oxford Sustainable Finance Group, who have released sector specific research[23] plus 'red flag' indicators[24] to assess CTAP integrity and consistency. The TPT have also recently published Sector Deep Dive guidance[25] for consultation to help organisations interpret the TPT Disclosure Framework in more detail for their specific sector.

Additionally, assessment tools such as the Assessing low-Carbon Transition (ACT) initiative[26], Transition Pathway Initiative[27], Moody's[28] and Climate Action 100+[29] are increasingly focusing on evaluating CTAP credibility and how this varies by sector. The World Business Council for Sustainable Development[30] and TPT as referenced earlier, among others, are also producing more prescriptive guidance on how to develop CTAPs that consider and balance potentially competing priorities like nature, just transition, circular economy and adaptation.

There are recurring high level credibility principles for CTAPs, including:

Setting **science-based net zero targets** that are **supported by short-and medium-term targets** and **informed by credible decarbonisation pathways**, that are front loaded with steep emissions reductions in the short- and medium-term.

Aligning corporate strategy, actions and investments with the ambition of those targets and the latest science. This includes rapidly phasing out fossil fuels, setting up a robust financial plan and not using carbon credits and offsets to achieve short- and medium-term targets. Contributing to wider system offsets is important, but this should be in addition to (and not counted towards) absolute emissions reduction. This reflects the latest European Sustainability Reporting Standards[31], adopted in July 2023.

Transparency on the data and methodologies, including assurance, limitations, uncertainties and assumptions.

Best practice will continue to be developed and refined. It is incumbent on climate leaders to be cognisant of that advice to determine their own CTAPs and navigate collaboration and engagement with other actors in the system.

A strategic, rounded and collaborative approach

A credible transition requires us to think beyond tackling emissions alone; it involves a comprehensive and forward-thinking approach to mitigating climate change.

For instance, the Australia and New Zealand Investor Group on Climate Change (IGCC) have pointed to the impact of deforestation on emissions[32].

Organisations need to consider a strategic and rounded approach to transition planning by determining their role in the ecosystem and evaluating climate-related risks and opportunities. The Task Force on Climate-Related Financial Disclosures[33] (TCFD) provides a good starting point on the main climate-related risks for organisations to consider.

> **Y**our CTAP should be more than a compliance document – think of it as a **company prospectus**."
>
> **Sarah Barker**
> Head of Climate & Sustainability
> Risk Governance
> Minter Ellison

> **T**o **shift the global economy** at the speed our climate scientists are telling us, it is **not possible for organisations to do it alone**. It requires **active means of collaboration**."
>
> **Sean Kidney**
> CEO
> Climate Bonds Initiative

Collaboration across the value chain, industries and ecosystems is critical to a low-carbon economy future. It can help identify opportunities to support reductions in scope 3 emissions, value nature and consider circular economy principles. Consideration needs to be given to competition law constraints; however, progress can be achieved through careful management of any engagement with competitors.

CLC collaboration in 2023

These insights are informed by CLC member learnings across our 2023 deep dive topics:

Scope 3 Emissions account for between 65-98%[34] of Greenhouse Gas Emissions and are essential to your CTAP.

Check out the 8 practical steps CEOs can take to address scope 3 across their value chains and how members of the CLC have continued to scale scope 3 impact here.

Nature is your biggest supply chain partner and accelerator of carbon reduction. Your CTAP may seek to also address nature considerations.

Understand your impacts and dependencies on nature and how CEOs can practically get started here.

Circular Economy is an emerging opportunity for organisations to consider to enable their transition by including greater circularity in currently linear supply chains.

Stay tuned for further 2024 developments.

* This is a general statistic and does not represent the scope 3 emissions profile of CLC member organisations.

BHP

What is happening now helps make the future clear: Positioning BHP's portfolio for a faster decarbonising world

What this means for Australian businesses

Scenario-based planning is important to identify, analyse, and support decisions to position the company for a decarbonised future. Organisations can drive action through incorporating decarbonisation priorities into capital allocation. CTAPs can act as a key engagement mechanism to communicate these opportunities to stakeholders and bring them on your transition journey.

"The role of a CTAP is to **capture the opportunities of tomorrow whilst safeguarding the values of today**. BHP's key products are expected to play a vital part in enabling the world's response to climate change, and we plan to **grow our production to help meet this demand while simultaneously working to decarbonise our operations**. Moreover, BHP is committed to **partnering with our customers, suppliers and communities** to capitalise on transition opportunities."

Edgar Basto, COO, BHP

Background BHP's aim is to position itself to thrive in a low greenhouse gas (GHG) emissions world by minimising emissions from existing products while providing commodities that the world needs to achieve a net zero future. The ongoing challenge is how BHP will transition its business and portfolio to capture future-facing opportunities. The transition requires shifting towards commodities critical for decarbonisation technologies and strategic capital allocation to capture future-facing opportunities. In September 2021, BHP published its first CTAP, which sets out the strategic approach to achieving its long-term GHG emission reduction targets and goals, and its commitment to additional actions.

Approach BHP's climate transition planning is underpinned by scenario analysis to determine the organisation's future value creation opportunities. Under its 1.5°C scenario*, BHP expects the world would need almost twice as much steel, mined copper and potash fertiliser, and four times as much primary nickel over the next 30 years, compared to the past 30 years. Through working in recent years to understand and respond to this future, BHP's portfolio is now focused on large assets in commodities that are expected to have an upside in a faster decarbonising world.

BHP's operational planning cases inform its planning, price outlooks and strategy and use its current estimates of the most likely high-, mid- and low-range of future states for the global economy and associated sub-systems; three pathways that BHP refers to collectively as its 'One Energy View'. One Energy View reflects an acceleration in action on climate change over the past few years, resulting in all three of its pathways ultimately reaching global net zero GHG emissions, albeit employing different technological and policy assumptions and different underlying macro-economic growth assumptions to get there.

BHP has also embedded decarbonisation in its business through its Capital Allocation Framework. The internal allocation of capital under its Capital Allocation Framework and all major investment decisions continue to require an assessment of investment viability under its 1.5°C scenario. BHP's capital allocation process is structured to ensure capital expenditure plans are aligned with its FY2030 and 2050 operational emissions reduction target and goal.

Key Outcomes BHP's portfolio is designed to be resilient in the face of the world's transition in response to climate change and is positioned for upside in a faster decarbonising world, and this approach has been reflected in its 2021 CTAP, which received strong support from shareholders. Through taking a strategic approach to analysing future scenarios, the global challenge of decarbonisation has been turned into a potential growth opportunity for BHP, and its portfolio and capital allocation are aligned to support the global response to climate change.

This scenario requires steep global annual GHG emission reduction, sustained for decades, to stay within a 1.5°C carbon budget. 1.5°C is above pre-industrial levels. For more information about the assumptions, outputs, and limitations of BHP's 1.5°C scenario, refer to the BHP Climate Change Report 2020, available at bhp.com/climate.

Urgent action is needed

There are also important social implications associated with the transition. Climate change is already significantly affecting the lives of many Australians and people globally.

> **T**here are **security, supply chain, investment and reputational risks** for your organisation if Australia does not **invest in climate resilient infrastructure for the Pacific and beyond**, given the disruption climate change is causing.
>
> However this investment also presents **opportunities to create value for your stakeholders**."
>
> **Ragigia Dawai**
> Director General
> Fiji Red Cross

Stakeholders are demanding practical and tangible action from organisations to demonstrate how they are transitioning and supporting communities to adapt. In response to this, organisations are taking action. For example, some organisations are launching pilot programs to provide climate risk-related insurance for affected farmers[35].

People around the world are calling for a just transition that recognises the very real impacts that the climate transition will have – and is already having - on millions of people worldwide. It is important for organisations to recognise the different starting points and needs of different communities and economies.

In a recent open letter[36], world leaders called for "a transition that leaves no one behind," emphasising that poverty reduction and protection of the planet are converging objectives.

Without meaningful action, climate change could exacerbate existing inequalities across the world[37] and continue to disproportionally affect the most vulnerable populations.

> **A**ustralian businesses have a **responsibility to support communities** with the least capacity to proactively adapt to climate change.
>
> **It is no longer acceptable to wait and see the impacts before taking action."**
>
> **Andrew Harper**
> Special Advisor on Climate Action
> UNHCR

Australia is particularly vulnerable to the ramifications of climate change and has felt its devastating effects in recent years.

Increases in bushfires, flooding and other extreme weather events not only pose a significant risk to business operations across critical sectors – mining, agriculture and infrastructure to name a few – they also crucially impact the lives of many Australians who live in the affected communities.
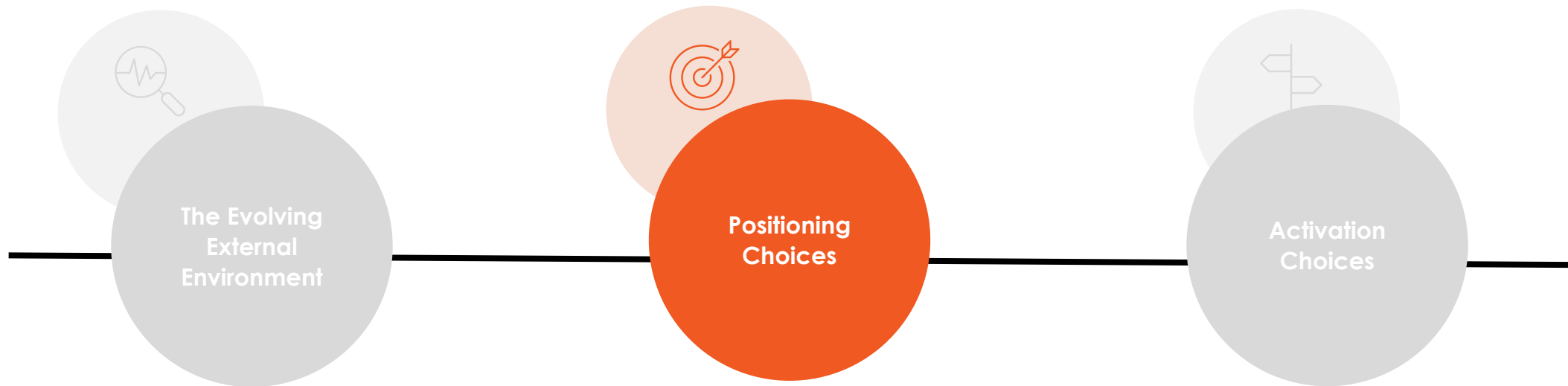
> **A**s a result of climate change, Australians are at greater risk than ever from disasters. The number of times Australian Red Cross's Emergency Services team has been activated in the last 10 years has nearly doubled.
>
> The impacts are not simply as a direct result of bushfires, floods and cyclones, but from the **ongoing long-term devastation these disruptions wreak on the environment, economies, livelihoods, mental health and family life.**
>
> **Kym Pfitzner**
> Past CEO
> Australian Red Cross

The call is now upon leaders to rise to this generation-defining challenge through swift action to build momentum, capture opportunities and manage threats.

The Evolving External Environment

Positioning Choices

Activation Choices

What is your future direction and where will you focus your actions?

What mechanisms are required to succeed?

Starting Point	Step 1	Step 2	Step 3	Step 4	Step 5
Understand the evolving external environment trends that illustrate the need for a credible transition	**Determine your organisation's future and value creation opportunities**	**Assess the gaps and identify areas of focus to overcome challenges and uncertainty**	**Identify and engage with key stakeholders and diverse voices across the ecosystem to achieve a responsible and equitable transition**	Identify, prioritise and resource key actions in line with targets that reflect areas of focus, stakeholder engagement, and value creation opportunities	Determine the governance mechanisms, leadership and team capabilities needed to operationalise the transition

Key takeaways:

1 Determine a **clear climate ambition** that serves as a set of guiding principles for your organisation.

2 Be **dynamic and flexible** about transforming your organisation and **engage with diverse voices and partners** across your ecosystem to build resilience and a deeper understanding.

3 **Think strategically and go beyond compliance requirements.** Use 'early wins' to generate momentum, capture value creation opportunities and demonstrate tangible progress to key stakeholders across the ecosystem.

Questions for CEOs to ask

1. What will our organisation look like in 2030 and what do we need to do to achieve this future state?

2. How do we ensure we adapt to changes in climate and nature in our external environment, and progress toward our future state?

3. What is our role in the ecosystem to accelerate transformation and what are the benefits to our organisation and stakeholders? Who are our key partners?

(!) How will you measure impact?

It is important to track how you are progressing towards your desired future state. *What indicators can you use to track your success?*

Step 1: Determine your **organisation's future** and **value creation opportunities**

Leaders need to have clarity on what the future of their organisation will be, based on the value they can create.

Think ahead

"For the last 70 years, we've had an economic system aggressively tied to fossil fuels.

We now need to tilt the playing field … The prize is a **new era of low cost but clean energy which will support the economic development the world needs**."

Sean Kidney
CEO
Climate Bonds Initiative

Our CLC members who have started their journey, have found that *the internal process of building their CTAPs has surfaced multiple drivers that support their climate ambition, both existing and new*.

The radical shift needed to respond to our climate challenges and the associated responsibilities can pose significant threats.

Taking action presents enormous opportunity to enhance resilience, safeguard value and pursue new opportunities.

CEOs need to think about the future of their organisation to gain clarity on the subsequent steps required to transition in a credible, responsible and equitable way. To achieve the path to net zero by 2050, the CDP recommends[38] CTAPs to be time bound by near term targets to 2030, and a longer-term target for net zero by 2050 at the latest.

The journey to net zero can be complex, and the scale of the challenge and opportunity will look different across sectors. Barriers, such as government policy, market structures and the cost of living for customers, can present challenges throughout the journey.

Our CLC members across sectors have shared that *organisations need to have a clear climate ambition that is adaptable to the evolving climate landscape and serves as a 'north star' that permeates through decision-making processes and investment strategies.*

In order to navigate this changing landscape, flexibility and awareness are crucial. This adaptability is required not only in response to external changes, but also within the organisation itself.

"Despite long-term strategy and goals, the **future is still a sum of short-term decisions** taken now. We need to consider what short-term decisions are needed to **achieve our forward-looking view**."

Edgar Basto
COO
BHP

"We are dealing with interrelated issues which can't be effectively resolved unless we deal with them as an **ecosystem of organisations**."

Adam Powick
CEO
Deloitte Australia

Organisational transformation

As our CLC members experienced through discussions with diverse community representatives, as societal and stakeholder expectations evolve, *many CEOs may be required to transform their operating models to maintain their social license to operate*.

We are now firmly in an era of 'show me, don't tell me,' as reinforced by the UN Secretary General at the start of 2023[39].

Leaders need to consider the opportunities and investments that will pay off in the long run as demand for sustainable products and services increases. Globally, climate inaction could cost $USD 178 trillion over next 50 years, whereas we could gain $USD 43 trillion over the same period by rapidly accelerating the transition to net zero[40].

As industries transform, those who fail to act risk being left behind. CEOs must reshape their organisations through transformative actions to ensure they remain socially relevant and financially and operationally resilient.

worley

Delivering a more sustainable world by empowering 50,000+ people globally

What this means for Australian businesses

Purpose-driven direction for Australian companies can be built from the ground up. Developing an ambition statement with quantified objectives can illustrate progress to achieving purpose and empower the organisation to change through investing in its people's education and practical experience to achieve these objectives.

❝ **N**ow more than ever, **countries, industries and communities are seeking more sustainable ways of working and living**.

We're uniquely positioned to help them, and **our people are strongly aligned to delivering on our purpose for the good of our customers, our communities and the planet**."

Chris Ashton, CEO, Worley

Background Following a major acquisition which doubled the size of the company in 2019, Worley began a transformative journey as a purpose-led organisation. The company's purpose "delivering a more sustainable world", launched in 2020, was created via an inclusive workshopping process involving the company's people across all levels. As a leading global engineering and construction company, Worley has the scale and expertise to meet this transformational challenge, however, it has involved a significant shift from Worley's traditional focus.

Approach Worley's comprehensive business transformation strategy is focused on sustainability, digital solutions, and adopting innovative approaches to work. The company is investing $AUD 100m over three years to target and develop solutions for customers in high-growth areas aligned with Worley's purpose.

Worley's people and culture are fundamental to this transformation. Various initiatives in Worley's strategy transformation focus on education, challenging traditional approaches, and identifying innovative ways to meet the wide range of sustainability challenges across the company's and its customers' operations.

Key Outcomes Through the authentic involvement of Worley's people from across the business, and these deliberate actions and endeavours, Worley has positioned themselves as a leading force in driving positive change for a more sustainable future, and fostering a skilled and transition-ready workforce.

$ **41%** of Worley's **total revenue in FY2023 was sustainability-related**, up from 35% in FY2022. By FY2026, Worley aims for sustainability-related revenue to make 75% of total revenue.

40,000+ sustainability-related learning modules undertaken by Worley people.

700 Sustainability Champions across the business.

Step 2: Assess the gaps and **identify areas of focus** to overcome challenges and uncertainty

Companies must take the time to determine where to play and focus on what it will take to get there.

Initial areas of focus

Planning for the transition can often feel abstract and unclear, and there may not always be unitary answers.

However, as our CLC members found, *the most effective approach is simply taking the first step and determining the initial areas to focus on.*

CEOs need to strive to find the equilibrium, where actions are both realistic and meaningful. This may mean initially prioritising actions based on emissions intensity, feasibility and potential impact.

Identify critical challenges

Organisations have a delicate balance to strike to ensure their business strategy meets their aspirations; they need to remain ambitious and satisfy investor demands while communicating transparently wherever there is less certainty about how to get there. When it comes to implementation, this consistency is important to help avoid the 'say-do' gap and associated greenwashing risks.

CTAPs need to have corresponding on-the-ground actions to avoid gaps between what is being said and what is done. A pragmatic way to bridge this gap is through undertaking a thorough assessment of what the transition requires, alongside current and potential future challenges.

❝❝ **T**he **'say-do' gap** is where our actions on the ground do not reach the same standard implied by our targets or transition plans."

Sarah Barker
Head of Climate & Sustainability Risk Governance, Minter Ellison

The gap can also be avoided by having robust data in place to meet your commitments[41]; not only does it demonstrate compliance, but increasingly measuring and reporting your investment in ESG data is a way to differentiate from competitors.

Our CLC member discussions illustrated that *organisations need to demonstrate that decision-making processes and investment strategies are aligned to their climate aspiration, and this needs to be supported by clear short- and medium-term actions.*

One way to approach this is to consider the requirements it takes for your organisation to remain financially and operationally resilient and viable throughout the transition, and ask: *What does this look like across all areas of the business model, considering available technology and supply chains?*

By honing in on specific areas that require uplift or transformation, organisations can take transformative steps. Where areas are interconnected, a change in one area can have a cascading and multiplying effect on other aspects of the organisation.

Successfully making many of the changes required will depend on two broad external factors:

- external parties, such as suppliers, customers, partners, governments, regulators, investors and providers of capital; and

- emerging technologies, which requires assessing their availability, reliability, and scalability for longer term planning.

While not all the answers are immediately available, inaction is no longer a viable option.

Questions for CEOs to ask

1. How significant will the impacts be on our organisation if we do not successfully transition?

2. Are our transition focus areas aligned to both external best practice frameworks and our core business strategy?

3. Is there a clear understanding across our organisation of what is required to transition our business in a credible, responsible and equitable way?

4. Do we understand how to set targets based on science, and align them to our future state and focus?

⚠️ **How will you measure impact?**

It is important to track how your focus areas are aligned with your ambition. *What indicators can you use to track the effectiveness of your actions?*

Best practice scenario analysis to consider

There is a range of guidance that organisations can consider to initially stress test focus areas, and then re-visit when more specific targets and actions have been set:

- The Science Based Targets initiative (SBTi)[42] is an option for organisations in certain sectors to validate ambitious emissions reduction targets. When deciding the different types of targets to set (e.g., absolute, physical intensity, economic intensity, and supplier or customer engagement targets), it is important to ensure they are "*environmentally robust and credible to stakeholders*."
- Deloitte[43] and the Oxford Sustainable Finance Group[44] outline country and sector-specific pathways.

> ❝ like to say if your targets are your 'goal-time' in the marathon, **your transition plan is your training schedule that shows how you will get there**."
>
> **David Carlin**
> Head of Climate Risk and TCFD
> UN Environment Programme Finance Initiative
>
> Source: David Carlin LinkedIn Post[45]

Using scenario analysis can facilitate ambitious target setting and allows organisations to define key commitments and make informed decisions on where to allocate resources and efforts to meet those commitments:

- The ISSB[46] recently confirmed the requirement to use climate-related scenario analysis to report on climate resilience in its new ISSB standards - S2.
- The TCFD provides guidance for organisations to define scenarios[47], through using a range of future climate states (CDP[48] recommends 3 - 4 scenarios) to test strategic plans and identify how to increase their resilience.
- The UK TPT Implementation Guidance[49] recommends performing scenario analysis in the process of assessing climate-related risks and opportunities.

Key questions to consider when using climate scenarios

The United Nations Environment Programme Finance Initiative[50] (UNEP FI) propose the following questions to consider for organisations using climate scenarios:

1. Time horizons

Are the timesteps and dynamics of the model appropriate for us to inform our typical operational and strategic decision-making processes? (e.g., multi-year timesteps, long-run equilibrium assumptions)

2. Impacts

Is this climate scenario truly representing the level of economic stress we are interested in exploring? Are economic and business cycle impacts integrated into the scenario? Is it simply a constrained best-case scenario? (e.g., an optimal path to net zero starting in 2030)

3. Variables

Does the model produce the variables we need? Do we trust the outputs of the models for variables that we need for financial assessments? (e.g., commodity prices, demand variables)

4. Granularity

Does the model produce outputs for the sectors and regions we are interested in exploring? Does the scenario show sufficient differentiation to reflect the nuances of different industries and geographies?

5. Validation

How do we assess or validate the outputs we are seeing from the climate scenario model? What assumptions are being used to generate the pathways we see, especially around policies and technologies?

6. Understanding

How do we explain these scenarios to our businesspeople and our executives? Do we fully understand the assumptions and appropriate use of these scenarios?

Target setting in practice

Supermarkets are getting ahead and using science-based targets both in Australia and the UK.

In 2020, **Woolworths Group**[51] **became Australia's first retailer to have its emission reduction targets endorsed by the SBTi**.

Since then, Woolworths Group has continued to reduce its scope 1 and 2 emissions and progressed collaboration with key suppliers in support of its scope 3 ambition.

Coles[52] **recently announced an additional SBTi approved target** which will see the retailer work in partnership with its suppliers to set science-based emissions targets by 2027.

Given most of Coles' Scope 3 emissions are upstream of its operations, this target allows Coles to engage high-emitting categories and work collaboratively with suppliers to reduce emissions.

Major UK Supermarket, Tesco[53] recently shared its **pathway to net zero through their CTAP which used SBTi guidance** to validate ambitious targets that illustrate a clear roadmap of action.

"O**ur SBTi reduction target endorsement set the groundwork** for the progress we've made over the last three years.

This science-based guidance for our targets has **provided confidence that we have set the right trajectory for climate action in our business** - and for the engagement with our supply chain that will be necessary to achieve it."

Brad Banducci
CEO, Woolworths Group

"We understand that we need to reduce our own emissions as well as those that occur in our supply chain, and we are looking forward to **working alongside our suppliers** to help them set their own targets and reduce emissions.

Whether our suppliers are just starting out on their emissions reduction journeys, or already making progress in achieving their own targets, we are **committed to working together to reduce emissions** and achieve our sustainability ambitions."

Leah Weckert
CEO, Coles

Transforming travel behaviours to achieve targets

What this means for Australian businesses

Understanding the motivators and drivers of key stakeholder groups can help people in organisations find compelling reasons to undertake day to day changes that will incrementally contribute towards net zero.

❝ur **digital travel dashboard** has created **real time information over our scope 3 travel emissions**. This evidence base, and the education we put around it, has **motivated our people to adopt a 'virtual first' approach**."

Kevin Burrowes, CEO, PwC Australia

Background Business travel (including the impact of air travel, land travel and overnight accommodation) has been a significant component of PwC Australia's overall carbon footprint since establishing a baseline in 2019. PwC has committed to reducing scope 3 business travel emissions by 50% in absolute terms by 2030 (from a 2019 base). To achieve its target, PwC set out to manage the rebound in business travel following COVID-19 lockdowns. Doing so required a change in behaviour of its Partners and people.

Approach PwC first explored the drivers behind its people travelling. PwC have developed an interactive, digital dashboard to synthesise data and create real time transparency on who, where, why, when and how its people travelled for work. This included identifying key audience groups and the emissions impact of travel behaviours i.e., variance of emissions connected to cabin vs business class or single day vs longer term trips. Stakeholder interviewers with travellers and travel bookers across all levels of the organisation were conducted to understand the key drivers and behaviours of business travel.

These insights were used to evaluate the nature and scale of change across key stakeholder groups, and to understand the motivations, beliefs and culture that underpin business travel. The insights were then used to develop targeted change interventions including:

- Embedding a 'virtual first' approach for client and firm activities;
- Implementing a new travel booking tool to assist people to make sustainable choices;
- Launching a firmwide carbon cap on air travel, effective 1 July 2023;
- Enhancing the interactive air travel emissions dashboard to include predictive analysis;
- Collaborating with its employee-led Green Team to run firmwide communications & engagement campaigns focused on driving conscious travel choices; and
- Supporting its people to upskill in key sustainability initiatives by offering a range of internal and external education opportunities, including through a global Sustainability Academy.

Key Outcomes

- Leadership support and alignment towards carbon caps
- Development of clear annual targets against which to measure progress
- Greater transparency and understanding of the impact of its people's day-to-day actions on PwC's broader environmental impact

apa

Integrating emission mitigation hierarchies in business decision-making

What this means for Australian businesses

Applying a mitigation hierarchy enables organisations to define their approach to structural abatement and when it is reasonable to use offsets as an interim measure whilst maintaining focus on longer term absolute emissions reductions.

« APA is committed to **prioritising structural abatement over the use of offsets,** and our Internal Carbon Abatement Price puts this into practice across the business.

Where offsets are required, we only select offsets that meet our Offset Criteria."

Adam Watson, CEO, APA

Background APA has committed to a mitigation hierarchy, prioritising structural emissions avoidance and emissions reduction over the use of offsets.

It required a solution to effectively cascade this commitment into day-to-day project decision-making.

Further, where current abatement opportunities are limited and the interim use of offsets is required, processes were needed to be put in place to ensure that offsets procurement meet the Offset Criteria.

Approach APA established an internal carbon abatement price, which applies a 100% premium to market offset prices.

APA staff apply this when assessing business cases for new abatement projects, and stay in business activities, to ensure that structural abatement is prioritised over offsetting where reasonable to do so.

APA published its Offsets Criteria and uses a numerical scorecard to assess all offset projects for alignment with the criteria. Only offsets receiving a satisfactory score are considered for purchase.

Key Outcomes APA has now embedded its mitigation hierarchy into its business decision-making processes through its internal Carbon Abatement Price.

Where offsets are still required, its Strategy and Corporate Developments team are equipped with the necessary tools to ensure that all offset projects align with its Offsets Criteria.

Questions for CEOs to ask

1. Have we identified our key stakeholders, how they are impacted, and how we can develop shared goals to benefit us and them?

2. How do we ensure stakeholder feedback is heard and informed, and can be reported on?

3. Where communities may be impacted, how will we help to reinvigorate them?

4. How do we effectively capture and act on the unintended consequences from our learnings and stakeholder engagement processes?

5. Have we considered the differences between stakeholders' perspectives and our business practices? What do we need to adjust?

! How will you measure impact?

It is important to track how your decisions and actions are impacting your stakeholders. *What indicators can you use to track the effectiveness of your processes to identify, engage with and report on stakeholder engagement in a meaningful way?*

Step 3: Identify and engage with **key stakeholders and diverse voices** across the ecosystem to achieve a responsible and equitable transition

It takes an ecosystem – think and listen broad and deep, and engage with diverse voices – it can't be a check box exercise.

It's about communities

It is estimated that 43% of the Asia Pacific workforce today is employed in industries that are vulnerable to climate extremes and the economic transition to net zero[54].

The climate transition disproportionately impacts communities across different geographies. Not only will livelihoods be affected, climate change poses acute and chronic physical risks[55], disrupting access to critical resources and infrastructure.

The decisions CEOs make about the future of organisations can have significant implications on the communities in which they operate. This is why people and communities need to be at the centre of transition considerations.

Through the learning and sharing journey, our CLC members reflected that *communities need to be engaged upfront and throughout the planning process, not as an afterthought.*

Organisations are increasingly finding that 'check box' community engagement does not suffice. A lack of appropriate consideration of stakeholder views can impact social licence to operate and create legal and reputational risks.

> **T**he global just transition is an increasing theme that is becoming harder to ignore, as **communities risk being left behind in the transition.**"

Jacques Morris
Group Policy Lead
Oxford Sustainable Finance Group
Team Leader
UK TPT

Incorporating stakeholder engagement into transition planning can:

- **Mitigate blind spots** in decision-making
- Build a path where **stakeholders may be more supportive** of your actions
- Help **identify 'win-win' opportunities** for communities, organisations and investors

Investors are increasingly engaged

During our Q&A Session with the Climate Bonds Initiative, CEO Sean Kidney highlighted that investors are becoming increasingly involved in discussions about whether companies are adequately planning for the transition ahead.

Financiers may need to work with organisations to adjust how they structure and assess their portfolios, to continue to support industries through their transition journey.

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Australian Red Cross

Floods impact business, people and the community

What this means for Australian businesses
Undertaking cross-sector partnerships can help communities better prepare, respond and recover from disasters.

Australian Red Cross Chief Executive Officer Kym Pfitzner wrote the following words prior to his passing on 23 October 2023. Vale Kym Pfitzner.

" **C**limate change is driving a **growing need for our humanitarian support services** and we're reliant on the generosity of our donors, government and corporate partners like Australia Post to ensure we can meet this demand. It is only through their support that the Australian Red Cross can **help communities recover from and prepare for increasing climate related disasters.**"

Kym Pfitzner*, Past CEO, Australian Red Cross

Background The 2022 QLD and NSW floods impacted thousands of people across a number of communities. 4,000 homes were deemed uninhabitable, local businesses closed across the community and there were 5 fatalities.

Specifically, the closure of post offices and delivery centres impacted the sorting and distribution of mail. The delivery of essential items was impacted by supply chain disruptions, increased pressure and road closures.

Approach

- 715 trained Australian Red Cross emergency response staff and volunteers were deployed to impacted areas, and assisted over 23,500 people in NSW.

- The Australian Red Cross partnered with Australia Post and shared regular on-the-ground situational reports to assist in response activities and determine eligibility criteria for free mail support services. In addition, Australia Post deployed the Mobile Post Office Van to enable flood impacted residents to do their banking, pay bills, redirect their mail and post parcels and letters.

- Australia Post further raised $194k via over-the-counter customer donations, online shop donations and workplace giving, and sent out postcards to impacted areas promoting the Red Cross financial assistance that was available to people impacted.

Key Outcomes

$41.9m in essential cash assistance has been delivered since May 2022.

1,079 stakeholders received training to prepare for future disasters. **1,000** people undertook disaster resilience education.

27,000+ people have received in person support, resources & information to assist recovery.

The CLC wishes to express its heartfelt appreciation for Kym Pfitzner's remarkable contributions to both this project and the broader initiatives of the CLC.

Radical collaboration towards a common goal

As our CLC members understood through a panel session with diverse senior leaders across the ecosystem, *pursuing a responsible and equitable transition requires active stakeholder involvement, which necessitates leaders to adopt a radical collaboration approach.*

A credible transition requires organisations to collaborate outside of their usual sector. Consideration needs to be given to competition law constraints; however, progress can be achieved through careful management of any engagement with competitors.

❝ Collaborate – and **not with the usual suspects**."

Fraser Thompson
Co-founder
SunCable

Our CLC members learnt *the power of adopting a systems mindset to solve problems and realise new opportunities by collaborating strategically across sectors, industries, regions and stakeholder groups to drive collective action.*

CEOs need to think about the broader ecosystem and assess the evolving capability requirements and strategies to bring the right people and partners in the room to make decisions. This also includes the important role of CEOs to engage on policy settings that support the transition to net zero.

VIVA Energy Australia — **TOLL**

Driving decarbonisation alternatives through partnership

💡 **What this means for Australian businesses**
Organisations can't do it alone. Industry and government need to come together and actively collaborate to successfully implement innovative solutions that tackle carbon emissions at the pace and scale required for a credible transition.

❝ This project puts **hydrogen-powered vehicles on the road to prove their value in day-to-day commercial operations while reducing the carbon footprint** of the heavy vehicle transport we rely on every day."

Scott Wyatt, CEO, Viva Energy

❝ Toll is **proud to partner with Viva Energy to pioneer new technologies that will support the transition to net zero for the transport sector**.

We believe in the potential **for hydrogen to deliver a carbon free energy solution for the transport industry and this project is our first step on this journey.**

Collaboration between industry and government is the best way to advance Australia's renewable energy goals and to **reduce the carbon footprint in our sector**."

Alan Beacham, CEO, Toll Group

Background Hydrogen has the potential to play a transformative role in reshaping the future Australian heavy vehicle transport landscape. However, a market for its use in transport does not currently exist. In the absence of an established market, and to kick start the opportunity for hydrogen to play a role in decarbonising the heavy vehicle segment, Viva Energy saw an opportunity for industry and government collaboration.

Industry possesses the technical, operational and commercial expertise and innovation required to together develop hydrogen-powered vehicles and infrastructure, while government can help bridge the commercial gap to catalyse the transition.

Approach Viva Energy collaborated with government and customers to bring together supply and demand in order to develop the market for hydrogen-powered vehicles. Alongside Barwon Water committing to purchase some hydrogen vehicles, Viva Energy also provided the recycled water for Renewable Hydrogen Production.

Viva Energy's customers (including Toll Group, Cleanaway and ComfortDelGro - CDC) have also committed to purchase hydrogen fuelled heavy vehicles. The Project received $AUD 22.8m from ARENA under the Advancing Renewables Program along with $AUD 1m contribution from the Victorian Government through the Renewable Hydrogen Commercialisation Pathways Fund.

Key Outcomes Post start-up, the New Energy Service Station will demonstrate the practical use of hydrogen fuel cell electric vehicles across a variety of transport applications.

This will be the first of its kind in Australia, enabling all stakeholders to learn more about the potential of hydrogen fuelled heavy vehicles as the industry and market expands.

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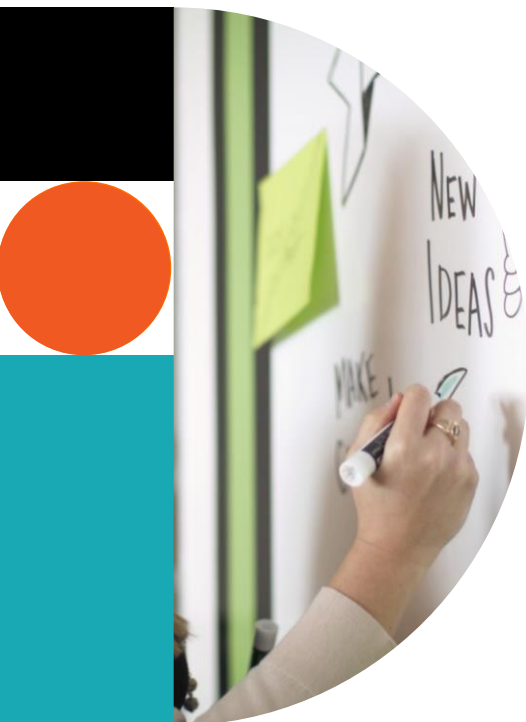
From Ambition to Reality thought leadership series

What this means for Australian businesses

Knowledge sharing based on deep domain experience is a core component of industry collaboration and leadership. Moving narratives on global environmental challenges from a what to a how are critical; both the theoretical and the practical are needed to build collective action.

❝ **W**orley and Princeton's Andlinger Centre for Energy and the Environment are passionate about **moving the global narrative on net zero to the practical reality of building the infrastructure needed**.

This will **require radical change to delivery practices to meet the scale and speed required**. The From Ambition to Reality series provides pragmatic guidance to accelerate this net zero delivery."

Chris Ashton, CEO, Worley

Background Achieving mid-century net zero will require an unprecedented level of new low-carbon infrastructure, delivered at a scale and speed never seen before. A radical new delivery paradigm is needed to undertake the development of this infrastructure, at a speed that keeps up with the demand.

Approach To determine how the immense infrastructure delivery challenge of mid-century net zero could be solved, Worley partnered with Princeton University's Andlinger Centre for Energy and the Environment in 2021.

Combining Princeton's deep insight with Worley's pragmatic, real-world experience in delivering complex industrial infrastructure was key to considering new approaches and moving the net zero narrative from what needs to happen, to how.

Together they published the From Ambition to Reality (FATR) series of thought leadership papers, and have facilitated global events to challenge, socialise and ultimately embed FATR thinking into standard infrastructure practice, policy and social response.

Key Outcomes

- FATR thought leadership papers have been published annually since 2021, with FATR thinking generating content and discussions through a wide range of Worley, media, industry, government and educational channels.

- Delivery practices are being tracked across the world via an annual survey, which was developed from FATR thinking, and results will be published annually. These results will inform specific FATR initiatives to shift practices to the new delivery paradigm that is needed for the scale and pace of mid-century net zero to be met.

- Worley and Princeton are collaborating on further related research and stakeholder engagement. Worley is also operationalising FATR thinking components into solutions for its customers and collaborators.

Listen broadly and expect to gain unique insights and inconsistencies

Many people – employees, contractors, families, unions, communities, shareholders, investors – will be affected by the transition in unique ways and may have competing interests and fragmented views, necessitating trade-offs.

During our Thriving Future Communities Panel Discussion, our CLC members reflected on the often unintended consequences of the transition and how organisations exiting industries and communities can be a deeply emotional and tumultuous process for many people. A way we learnt to overcome this challenge is to *identify the common goals that anchor the different perspectives*.

For example, Deloitte's 5-Step Framework [56], shows that undertaking a process of transparently collaborating on the transition plan itself establishes a common view, and can help disparate groups come together on the journey.

Adopt a people-first, co-creation approach

Actively listening to the diverse voices of stakeholders, who are both directly and indirectly affected, on an ongoing basis needs to be at the heart of transition planning. A common theme our CLC members heard from diverse voices about their transition experiences was *needing a people-first approach that embraces co-creation, rather than a top-down approach*.

Authenticity and transparency are critical for successful community engagement outcomes. Using authentic engagement tools embeds diverse thinking into operations and helps build partnerships with existing trusted community organisations.

Offering stakeholders a genuine seat at the table is key to overcoming 'over-consultation' and mitigating stakeholder fatigue. CEOs have an opportunity to take on a convening role to listen to diverse and often unheard voices and allow for dedicated spaces to meaningfully address issues.

Tools and frameworks for effective stakeholder engagement

Using existing tools and frameworks can enable genuine and successful stakeholder engagement:

- The Climate Governance Initiative and World Economic Forum [57] have published guidance for Boards to understand stakeholder perspectives

- The Australian Indigenous Governance Institute (AIGI) [58] provides a range of resources developed to strengthen self-determined governance of First Nations and the World Economic Forum [59] provides assessment factors for aligning to Indigenous knowledge principles.

- DemocracyCo [60] are experts in deliberative democracy for sustainable policy development. This approach emphasises the right of participants to participate in consequential deliberation about a collective decision.

- A Participatory Capacity and Vulnerability Analysis (PCVA) [61] analyses the capacity and vulnerability of communities to climate change risks. Using a PVCA toolkit emphasises local community knowledge to support climate information and forecasting to gain a full understanding of local risk.

For example, undertaking a $AUD 3bn Western Australian renewable energy project on Aboriginal ancestral lands [62] requires First Nations perspectives to be embedded in the planning, design and ownership of the project. Shared decision making and embedding authentic ways of working into an organisation's CTAP can clearly help drive effective, accountable and ultimately transformative partnerships.

Involving stakeholders early on can strengthen an organisation's social licence to operate in the face of future uncertainties, create a sense of ownership, build trust and **ensure that the transition, as reflected in a CTAP, is credible and fit for purpose**.

Engaging young people and the workforce of tomorrow

❝ Nothing about us without us. Meaningful engagement with young people means taking into account what stakeholders want, not just the parts that fit in line with your narrative."

Angelica Mantikas
Oceania Representative
Earth Uprising International

Organisations need to transition to meet the expectations of current and future workforces in order to remain viable – evidenced by the below examples:

- A recent Deloitte Global Survey [63] found that young employees (millennials and Gen Z employees) increasingly want their employers' values to be aligned with meaningful and positive change, and are turning down job offers and assignments when they do not align.

- IKEA [64] recently kicked off a dual mentorship program between young leaders and senior IKEA leaders, in a panel event regarding critical sustainability topics.

- With the UN implementing a Green Jobs for Youth pact [65], with a goal to develop 1 million jobs that support a sustainable and inclusive economy, it is clear that leaders that embed youth perspectives aid the design and implementation of their future workforce.

Approaching decarbonisation respectfully

What this means for Australian businesses

It is important to be respectful of the important role that an asset and workforce have played in the Australian economy, while acknowledging the need to move forward into a decarbonised future.

> **E**arly planning, including **ongoing engagement with our employees and the community, was critical for the respectful and safe closure** of Liddell Power Station."

Damien Nicks, Managing Director & CEO, AGL

Background In April 2023, AGL's Liddell Power Station was retired from service after almost 52 years of operation, marking a significant milestone in AGL's decarbonisation journey. As Australia, and AGL, move towards an energy future without coal-fired generation, it is imperative that asset closures, and the associated workforce transition, are conducted safely, transparently and respectfully.

Approach It was important to AGL to approach the closure in a way that honoured the contribution that Liddell, and Liddell people, made to the economy, the local community, and to AGL customers for over 50 years.

Liddell provided thousands of jobs for people living in the Hunter region and played a significant role in powering Australian lives and supplying reliable base-load electricity for millions of homes and businesses across New South Wales.

AGL delivered on its commitment to have no forced redundancies, with more than 100 people transferred to AGL's Bayswater Power Station, providing continuity of skills and an ongoing connection to the community. All other employees were supported with individual transition plans, as they elected to retire or seek other opportunities. A 'Future U Hub' was established in FY21, as an on-site centre providing financial counselling, superannuation and retirement advice and mental health support.

Key Outcomes AGL is staying connected to the Liddell site and community, and is busy working toward the transformation of its existing thermal generation sites, including Liddell, into low-carbon energy hubs, through which the company aims to support the economic diversification of these regions, providing new job and skills development opportunities for the communities where AGL operates.

Liddell people on site on the last day of generation

28 April 2023

Just Transition in Collie

What this means for Australian businesses

Engage deeply with diverse voices from the community and partner with them on the transition journey to affect meaningful and transformative change. Authentic stakeholder engagement can be strengthened through early planning, transparency around the transition process, and ensuring you are collaborating towards a common goal.

> **T**ake a **people first, co-creation** approach with transition. Every person's circumstances are different - inform and empower people to develop their own individual transition plan and access support early to ensure no-one is left behind."

Liz Baggetta, Head of Transition, Thermal Generation, Synergy

synergy

> **S**takeholder alignment and harmony is essential to success. **Lean in and iron out differences**, keep an eye on the end outcome and **be transparent**, knowing that 'traditional' mindsets won't work."

Vanessa Glover, Stakeholder & Community Engagement Partner, Collie Synergy

> **D**on't lose focus on people's mental health. It is not just the impacts of work, but also at home. **Consider the unintended consequences** of the transition and the people it will impact from the small businesses to teachers, case workers, and friends and family of affected workers."

Mining & Energy Union

Greg Busson, WA Secretary Mining & Energy Union

Background The town of Collie in Western Australia has a long heritage linked to coal mining. Collie now boasts the largest isolated solar panel grid in the world with the highest penetration of rooftop solar energy. Collie is in the midst of transitioning its economy away from carbon-dependent industries whilst ensuring the affected workers and communities are adequately supported throughout the transition.

Approach Synergy is the largest energy retailer and generator in Western Australia and has been part of the Collie community for nearly 60 years. Synergy's largest power station (Muja Power Station) is located 22km from Collie.

In 2019, Western Australian Government announced plans for the staged closure of part of Muja. In 2022, the WA Government reaffirmed its commitment to exit coal power stations by 2030 and shift to invest in renewable energy.

To action the change, Synergy has developed a Workforce Transition Program and established a Workforce Transition Team made up of 40 employees to prepare for the closure of Muja Power Station by 2029.

Synergy recognised that everyone's circumstances are unique and worked with each employee to develop their own personalised Individual Transition Plan.

Each plan includes tailored support services and resources to help employees transition via one of several pathways: redeployment within Synergy; exploring further opportunities beyond Synergy; or retirement.

The transition has been underpinned by co-creation through collaborative workshops and ongoing consultations with employees, contractors, company owners and unions.

In the community (and in parallel with Synergy's program) the Collie Just Transition Plan was developed to support the broader coal industry transition and diversify the local economy through the attraction of new industry.
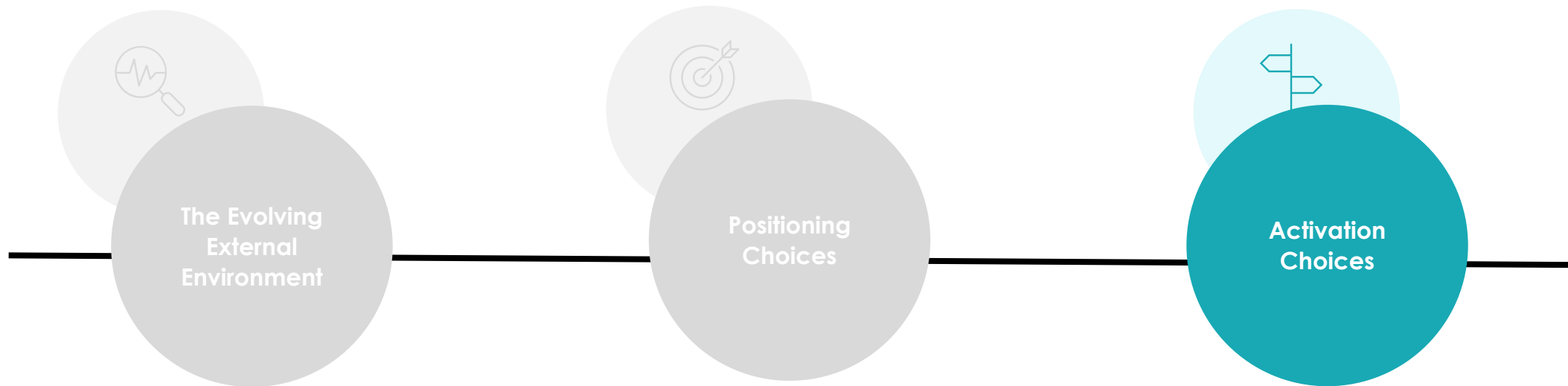
The plan was developed by the town's Just Transition Working Group, which is led by the State Government and comprises of local industry (including Synergy and other coal employers), unions, government, and community stakeholders. A $AUD 662m transition funding package supports the plan's implementation.

Through this deeply consultative method, stakeholders are aligned towards a common goal for the Collie community to thrive, which enabled Synergy to work closely with the workforce and community.

Key Outcomes The success of the transition in Collie is evidenced by its people-first, co-creation approach.

The tailored support embedded into the transition has led to increased engagement across both employees and the broader community.

As a result, Collie continues to thrive as a community. It is home to a growing tourism sector with increasing investment in renewable energy, mineral processing and manufacturing creating a positive outlook for employment opportunities for future generations.

The Evolving External Environment

Positioning Choices

Activation Choices

What is your future direction and where will you focus your actions?

What mechanisms are required to succeed?

Starting Point	Step 1	Step 2	Step 3	Step 4	Step 5
Understand the evolving external environment trends that illustrate the need for a credible transition	Determine your organisation's future and value creation opportunities	Assess the gaps and identify areas of focus to overcome challenges and uncertainty	Identify and engage with key stakeholders and diverse voices across the ecosystem to achieve a responsible and equitable transition	Identify, prioritise and resource key actions in line with targets that reflect areas of focus, stakeholder engagement, and value creation opportunities	Determine the governance mechanisms, leadership and team capabilities needed to operationalise the transition

Key takeaways:

1 Listen to the experts to make your targets resilient. **Validate your decision-making against science** and then **regularly monitor and report on your progress** to ensure transparency across your ecosystem.

2 **Align your climate actions to your ambitions.** Scaffold how to action your goals in the short- and medium-term by **considering feasibility, costs and resources** to get you there.

3 **Equip leadership** teams with the necessary **capabilities**. Leverage **sub-committees** to cascade capabilities throughout the organisation and incentivise **cross-functional collaboration** to break down siloes.

4 Embed credible transition priorities across the organisation by developing **sustainability training and considering alignment of transition targets to individual and executive KPIs.**

Questions for CEOs to ask

1. What do we need to prioritise in order to align with our long-term aspirations and stakeholder needs?

2. Are we being ambitious, yet also transparent, in how we plan to achieve our targets and measure our progress? Where are the areas that our actions may not be seen to be credible, and how could we address this?

3. Are we taking appropriate steps to communicate to internal and external stakeholders about changes, opportunities, risks and performance regarding our CTAP?

4. Have we introduced the right investment processes that enable the shift of capital allocation towards our transition?

(!) How will you measure impact?

It is important to track the effectiveness of your resource allocation in meeting your goals. *What indicators can you use to track the effectiveness of your actions?*

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Step 4: Identify, **prioritise and resource key actions** in line with targets that reflect areas of focus, stakeholder engagement, and value creation opportunities

Leaders have a role to set realistic and achievable targets, provide a platform for change and value creation, and allocate sufficient capital to transition while aligning with stakeholder demands.

Plan and act early despite the uncertainties

The urgency of the transition demands proactive action. A key learning our members have shared is the *importance of planning and starting to act early, even with uncertainty ahead*.

> **T**he next two years is all about CTAPs. **You're not going to necessarily get it right**, and definitely not if you look at it as just a compliance document.
>
> Come together, be creative, and understand that **this is the issue in every market**."
>
> **Sean Kidney**
> CEO
> Climate Bonds Initiative

A credible transition journey is a constantly evolving process and organisations can be unsure about how to overcome the uncertainties ahead.

However, there is never a downside to being transparent and getting started.

Determine the short- and medium-term actions

Setting targets amid uncertainty requires a delicate balance. As referenced in Deloitte's 5-Step Framework[66] that sets out the transformation journey, climate aspirations should comprise of decarbonisation targets, a commitment to constantly improve climate risk information, and adaptation goals.

A common challenge that CLC members experienced within their organisations was, *'we know where we want to be, but how do we get there?'*

> **W**e cannot set and forget our CTAPs – they need to be agile, **adaptable and future-focused."**
>
> **Adam Powick**
> CEO
> Deloitte Australia

This is where short- and medium-term priorities and actions become crucial to align to long term aspirations.

We learnt that it is *important to scaffold how to plan to achieve goals in the short- and medium-term by considering internal feasibility as well as how and where to allocate capital.*

Best practice prioritisation & disclosure of actions to consider

- The Climate Action 100+ Net Zero Company Benchmark[67] advises organisations to set appropriate net zero targets and use these longer-term goals to set appropriate interim targets.

- UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities[68] and Oxford Sustainable Finance Group[69] advise that organisations disclose the actions to be taken to reach set targets.

> **P**ublishing targets doesn't necessarily mean you need to have a complete roadmap for the future.
>
> **What it does mean is that you need to clearly disclose your stage of preparedness, readiness and maturity".**
>
> **Sarah Barker**
> Head of Climate & Sustainability
> Risk Governance
> Minter Ellison

mirvac

The Challenge of scope 3

What this means for Australian businesses

According to the World Green Building Council, buildings are responsible for 39% of global energy related carbon emissions. Property leaders have a responsibility to take a leading role in the transition and, in particular, to work closely with suppliers and customers to decarbonise.

A **credible path is one which is honest and straightforward.** We based our initial plan to reach net positive scope 3 emissions by 2030 on scientific consensus, as well as scenario planning to help Mirvac succeed in a range of warming eventualities.

We've said what we know so far, and what we don't; we've laid out our intentions as an invitation for our suppliers and customers to join as we become a lower carbon company."

Campbell Hanan, Group CEO & Managing Director, Mirvac

Background In November 2022, a year since reaching net positive in its scope 1 and 2 carbon emissions, Mirvac announced its intention to be net positive in the challenging area of scope 3 emissions by 2030.

Approach The majority of Mirvac's scope 3 emissions are expected to be embodied carbon (driven by purchased goods and services), and tenant and resident energy consumption. Mirvac is working on a range of actions it knows will significantly reduce its footprint, including building all electric, exploring ways to source 100% renewable energy for residential customers, partnering with commercial customers to influence its fuel choices, and sourcing lower carbon materials.

Mirvac plans to use the key levers it can use to make a difference on scope 3 emissions - in-house design and construction capability; in-house sustainability expertise; buying power and collaboration.

Mirvac is focused on creating a CTAP over the next 12-18 months, which will outline science-aligned carbon targets and actions to achieve the targets. Once this work is complete, Mirvac will then confirm or adjust the scope 3 target and approach.

Key Outcomes Mirvac is now working in collaboration across the organisation and with industry groups to identify the key actions to reduce emissions in partnership with suppliers and industry, while balancing the commercial requirements of the business.

Schneider Electric

Striving for a net zero supply chain through partnership

What this means for Australian businesses

Reframe challenges as opportunities for growth and innovation, and lead with the win-win solutions to drive change through collaboration and partnership. Don't let perfect be the enemy of good; it is more important to keep moving forward.

A lthough scope 3 is an unsolved puzzle for many organisations, it is important to realise that much can be achieved if we work together.

This is at the very heart of The Zero Carbon Project, where **we share our expertise and experience to support our top 1,000 suppliers globally to decarbonise their operations, making a positive impact on people, planet, and prosperity.**"

Gareth O'Reilly, Pacific Zone President, Schneider Electric

Background In 2022, carbon emissions from Schneider Electric's procurement of goods and services represented 7.6 million tonnes of CO_2, the largest contributor to the group's scope 3 upstream emissions.

Approach Schneider developed The Zero Carbon Project to contribute to the global transition towards a low carbon future. It partnered with over 1,000 suppliers that were responsible for 70% of its upstream carbon emissions, with the goal of halving these suppliers' carbon footprint by 2025.

Under the program, Schneider provides tools and resources to program participants to help them set and achieve their own carbon reduction targets. To standardise and improve the quality of the reported supplier data, it created a dedicated digital tool for member companies to automate emissions calculation. Suppliers are encouraged to first quantify their CO_2 emissions using Schneider's digital tools and subsequently use that data to set the goals and strategies for emissions reduction that drive action and progress.

Key Outcomes The Zero Carbon Project is enabling best practice exchange with peers and partners to access innovative solutions for decarbonisation. Over 1,000 companies have joined The Zero Carbon Project, and 1,300 supplier participants have undertaken technical training about decarbonisation.

Developing processes to enable clear and transparent claims

What this means for Australian businesses

Ambitious targets need to be complemented by robust internal processes that ensure businesses are able to support and demonstrate progress against targets in a transparent and credible manner.

> It's vitally important that corporates **clearly and transparently communicate their environmental commitments** so that consumers can make informed decisions."

Vicki Brady, CEO, Telstra

Background Recent increases in corporate climate action have resulted in a significant rise in claims demonstrating the sustainability-related credentials of businesses. The variability of these claims has contributed to mistrust as to whether corporates are taking real and significant action, and as such, has attracted scrutiny from regulators. Telstra aims to clearly and transparently communicate progress against its ambitions, in order to build consumer confidence in actions taken.

Approach Telstra has implemented training for staff to assess the robustness of its sustainability claims and established internal processes to evaluate its environmental claims prior to publication. These included:

- Treating any potential environmental claims as heightened risk requiring additional review and approval;
- Requiring approval of claims by sustainability, legal, communications and investor relations teams;
- Creating an internal group with responsibility for reviewing environmental claims;

- Developing 'green belt' training to educate Telstra employees on how to make environmental claims;
- Developing a greenwashing risk checklist to consider prior to submitting environmental claims for review; and
- Creating a pre-approved list of environmental claims for use across multiple communication channels.

Key Outcomes Consolidating processes for approving environmental claims has reduced variability in claims being made by Telstra, and increased consistency across the communication of its progress towards environmental goals.

Strategic capital allocation and disclosure

Capital allocation plays a pivotal role in driving the transition. Notably, the ISSB S2[70] require organisations to disclose the amount of capital, financing or investment deployed towards climate-related risks and opportunities.

CEOs need to consider the full investment required to meet transition goals and ensure capital is directed towards actions that drive change towards targets.

Sometimes internal investment hurdles do not reflect the value of transition and therefore sustainability-related projects are not chosen due to a lower ROI. In such cases, our CLC members have found that *it can be helpful to explore metrics that differentiate between sustainability-related projects and business-as-usual initiatives.*

For organisations at this stage, once these projects are valued appropriately, sustainability elements can then be embedded over time into decision evaluation to ensure sustainability and BAU initiatives are not separated.

As global capital moves to support net zero, the options to fund the transition will change. This needs to be reflected in future updates to any CTAP, given it is a process that requires continuous evolution.

> **E**very bank needs to be enabling the transition by facilitating their clients' goals. The challenge for organisations is a question of **am I going to be able to survive?"**

Sean Kidney
CEO
Climate Bonds Initiative

For example, leading global institutional investors and asset managers are starting to identify biodiversity loss as part of their risk management frameworks and stewardship agendas. This shift is placing expectations on organisations to demonstrate their nature credentials despite the challenge of measuring nature and biodiversity in the short term.

Ambition needs to be delivered on with clear and transparent actions and sufficient capital allocation.

Best practice sensitivity analysis to consider

The UK TPT Disclosure Framework[71] recommends assessing the sensitivity of your CTAP to *"changes in key assumptions and external factors on which it depends, and should seek to mitigate delivery risks where possible."* This can help ensure your CTAP is underpinned by appropriate resourcing plans.

> **P**ublishing a transition plan **is not just a compliance exercise.**
>
> **It is a forward looking, strategic document** which evolves over time."

Jacques Morris
Group Policy Lead
Oxford Sustainable Finance Group
Team Leader
UK TPT

Questions for CEOs to ask

1. How should we engage, incentivise, and educate our leadership teams to take the necessary ownership and actions?

2. What governance mechanisms need to be in place to monitor, review and achieve progress towards credible transition? Are there triggers or thresholds we need to identify?

3. Have we identified the gaps in our organisation's understanding of the responsibilities and skills needed for a credible transition, and how could we address any gaps?

4. What more can we do as an organisation to embed a culture that motivates individuals to take personal ownership of a credible transition, including individual incentive mechanisms?

5. Have we allocated sufficient capability for effective change management?

! How will you measure impact?

It is important to track the effectiveness of your leadership, governance mechanisms and culture. *What indicators can you use to track how the transition is embedded across the organisation?*

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Step 5: Determine the **governance** mechanisms, **leadership and team capabilities** needed to operationalise the transition

Meaningful change starts from the top-down, driven by engaged and informed leaders, and enabled by the right culture, capabilities and mechanisms.

Equip leadership teams with the necessary tools to transition

The rapid and broad scale of action needed requires unique skills and coordinated leadership across the ecosystem, across economic, organisational, team-based and individual levels[72].

CEOs need to ensure that their leadership teams are equipped with the right tools, knowledge and insights in order to feel confident about setting and delivering a CTAP.

Our CLC members shared that a key challenge they have faced is *equipping leadership teams with the right knowledge and tools so that they feel empowered to set targets and can keep pushing forward without necessarily knowing all the answers*.

Increasingly, leaders are being 'pulled in many directions'[73] by competing ESG-related priorities.

Our members have *found success in building ongoing Board and leadership capability to understand the dynamic challenges of the transition and apply an opportunities-driven lens to plan for the future.*

Foster internal collaboration

Meaningful change requires education and awareness building at multiple levels, cascading from leadership down to teams, and further down to the individual employee level.

Our CLC members recognise *the importance of cross-business unit collaboration, with core operational business units and strategy and sustainability teams working together from the outset of the CTAP process.*

> **"CEO and CFO buy-in** is essential to ensure CTAPs are authentic and successful."
>
> **Jacques Morris**
> Group Policy Lead
> Oxford Sustainable Finance Group
> Team Leader
> UK TPT

Sustainability teams in organisations have historically shouldered the responsibility of building awareness and momentum in isolation.

However, the landscape is changing, with mandatory reporting standards like the ISSB now expecting sustainability to be integrated into financial disclosures.

Sustainability teams may facilitate the implementation of the CTAP, but need to work closely with teams across the business. Fostering this internal collaboration is a key way to gain internal stakeholder buy-in, particularly among those who may be wary of the risks and uncertainties associated with the transition.

CEOs need to enable horizontal communication across the entire organisation and consider opportunities to break through silos. This integration is critical to avoid misalignment between capital expenditure and climate aspirations.

Internal collaboration in action

Early engagement with strategy and finance teams enables key individuals across an organisation to buy in and drive momentum, both of which are critical for an organisation's transition to be successful.

In the case of a Singaporean headquarted multinational company, this involved:

- Getting CFO and CSO engaged early and using their language to gain buy-in.

- Setting up a working group and driving initial momentum through a series of sprint workshops.

- Identifying 'quick-win' initiatives and conducting a pilot initiative with the view to replicate and expand.

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Establish governance mechanisms to enable change and continuous improvement

Internal collaboration can be strengthened by establishing governance mechanisms that will drive and enable the transition.

Our CLC members have found that *establishing sub-committees of diverse leadership roles across functional siloes to oversee the CTAP process can be a useful way to align on a common and system-wide view across the organisation*. This will ensure the CTAP, and subsequent reporting is embedded into core business strategy and operations.

Effective governance allows an organisation to proactively respond to these changes. Your CTAP will need to be regularly reviewed and adjusted to align with new developments, emerging challenges, iterative stakeholder feedback and the latest market trends. This will ensure its continued effectiveness in addressing your climate goals.

❝ **E**SG is not a static space, and the bar is continually being raised ever higher.

As such, there **is a need for companies to reflect on and review governance standards to ensure stronger support for disclosure.**"

Joe Longo
ASIC Chair

Source: Speech at the Committee for Economic Development of Australia (CEDA) State of the Nation conference 2023[74]

Cascade change throughout the organisation

Internal change management strategies form the bedrock for building capability. To make the climate strategy a collective responsibility, CEOs can drive a cultural shift by involving every individual member of the organisation.

Our CLC members have shared success stories about *designing sustainability-related training and metrics that are linked to their aspirations, and aligning individual KPIs to transition targets*.

By integrating sustainability-focused training initiatives into personal development plans and the implementation roadmap, employees can feel empowered to actively engage in the transition and meet their organisation's climate targets[75]. This equips individuals at all levels with the knowledge and skills required to contribute effectively.

Change is personal; our members have found it beneficial to link the broad transition aspirations to employees' day-to-day roles and responsibilities.

❝ **A**t Telstra, progress against our emissions reduction targets is **linked to our executives' variable remuneration.**

We are now working with each part of the business so **our people have a clear understanding** of how they can contribute to addressing climate change by reducing emissions."

Vicki Brady
CEO
Telstra

Resource allocation – hiring, training, upskilling, and retaining workers

Along with collaborative ways of working and a culture of empowerment, a successful transition requires the right skills and capabilities to enable an organisation to deliver on targets. This can be achieved in several ways:

- Identify how to best upskill existing workers and source additional resources to help achieve goals by conducting comprehensive workforce mapping[76] to identify which skills and worker profiles will be needed, and where.

- Lean on those who have experienced the effects of the transition firsthand. Think beyond the sustainability team and leverage the deep expertise of your employees and communities.

- Employee participation in training decisions can help identify crucial areas for skills uplift, thereby benefiting organisation performance.

- Activating the creativity and innovation of younger people and the workforce of tomorrow can be an effective way to drive change across an organisation.

Embedding the transition requires careful consideration of leadership and team skills and change and reporting mechanisms.

Building leadership capabilities to drive effective change

LAING O'ROURKE

What this means for Australian businesses

Given the extent of change required by the transition, capability development for leaders is critical to drive change at scale and pace and successfully operationalise change across the business.

> To drive the transition to net zero at the pace required, **sustainability must be integral to business decisions**. Upskilling our leaders is one of the key levers Laing O'Rourke has deployed to drive a laser-like focus in the delivery of our sustainability strategy."

Rebecca Hanley, Managing Director – Australia, Laing O'Rourke

Background Laing O'Rourke's Board members and executives recognise the value in sustainability; however, they identified a prominent skills gap in their capacity to operationalise an ESG strategy and tackle climate-related challenges.

Approach To address the key gaps identified, Laing O'Rourke has undertaken a range of actions to successfully operationalise change.

Laing O'Rourke has designed and delivered a customised sustainability program in consultation with Cambridge University and AIM Higher Leadership to develop leadership capabilities across the business to better understand climate related challenges and solutions, the importance of applying systems and design led thinking, and viewing climate resilience and mitigation as a business growth opportunity.

Furthermore, a responsible and ethical decision-making framework was designed in consultation with Deloitte that aims to assess decisions against social, environmental and financial criteria over near, medium- and long-term horizons. The framework is intended to guide decision-makers in the application of a well-rounded and sustainability-focused process aligned to company purpose, mission, values and principles.

A corporate governance structure for sustainability was also implemented, comprised of executives, business unit leaders and SMEs to guide the direction and implementation of the ESG strategy and support decarbonisation plans.

Key Outcomes As a result, executives and leaders are equipped with the foundational knowledge as well as the processes and tools to help influence and visibly execute change to drive the transition across the business.

Adapting the workforce to support the transition

citi

What this means for Australian businesses

A credible transition is more than a corporate message. Applying leadership principles through a whole-of-organisation approach to the transition is necessary to ensure net zero is a mandated deliverable that all staff are accountable for.

> Over the past year we have **continued to build up our capacity to manage and mitigate climate risks, whilst also realigning our own business around opportunities in the energy transition**. Despite the geopolitical and macro-economic headwinds, we continue to make progress toward meeting our commitment to financing and facilitating $USD1 trillion in sustainable finance by 2030."

Jane Fraser, CEO, Citi

Background Citi is present in over 95 countries that represent a broad cross section of social and economic development stages, where its clients and staff tackle varying challenges regarding the pace and advantage of decarbonising a country or business. Citi recognised the need to educate and energise its workforce in order to remain adaptable and resilient for its clients across industries, countries and markets. As such, Citi has appointed a new leadership team to support the workforce transition. This ensures Citi is positioned to mitigate the risks associated with climate change, while also capitalising on opportunities to support clients as it transitions to a net zero future.

Approach Citi have embedded a network of sustainability specialists across the organisation to support its sector and product coverage experts. Citi's global approach incorporates a new function; Sustainability & Corporation Transitions comprised of approximately 30 sustainability advisors, champions within existing functions, and the Clean Energy Team within the natural resources sector, as well as a Clean Energy Finance Group.

Moreover, Citi's business selection process has been expanded to cover sustainability-related risks with a dedicated Climate Risk team in place to assess financing risks. Changes were also made to Citi's processes to include a new sustainable bond screening process to address financing of sustainability linked capital, which runs in conjunction with an expanded environmental risk function.

Key Outcomes The firmwide approach to formal training, communications and employee upskilling has led to a greater focus and awareness on sustainability throughout the organisation, and has strengthened Citi's ability to achieve net zero.

CEO Call to Action

1 — **Act now** to be ahead of **opportunities** & manage **threats**

2 — **Collaborate** through the **ecosystem** of **peers** and **diverse voices**

3 — Place credible transition at the **heart of your organisational strategy** and **capabilities**

Resource Library (1 of 6)

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CLC understanding of key terms

What makes a transition credible, responsible and equitable?

A **credible, responsible and equitable transition** is a transition to a **net zero economy** that is grounded in integrity by bringing together organisation, government and community **perspectives**

A *credible & responsible transition* is demonstrated by:

a. Clear commitment to transparency and implementation of ambitious and practical targets

b. Learning from emerging global standards, adapting to your own context and helping lead the way

c. Recognising that people are at the heart of the transition

Net zero economy refers to the *broadly understood definition* of climate transition to net zero emissions within your economy, that can be expanded to incorporate nature and the broader ESG agenda based on where you are on your transition journey

Bringing together organisation, government and community perspectives speaks to the *equitable transition* principle, bringing together diverse voices to ensure that the outcomes of the transition are shared fairly – for without that, society's permission to change will be withdrawn

How does your Climate Transition Action Plan (CTAP) connect with your credible transition?

A **credible transition** is facilitated by a **Climate Transition Action Plan** (CTAP), outlining the actions an organisation needs to take to reach their aims.

A **credible transition** refers to the **ongoing process** an organisation goes through to determine a credible transition.

A **Climate Transition Action Plan (CTAP)** is the **document** which **captures specific outputs** from the transition **process.**

A CTAP is not an end-point – it will **evolve and be refreshed** at various points along the credible transition process.

Acknowledging our CLC learning & sharing journey

The Climate Leaders Coalition (CLC) CEOs acknowledge the many people involved in leading this work and enriching our learning experience through a series of collaborative sessions and panel discussions. Thank you for your enthusiasm and a willingness to share different perspectives and harness collective knowledge across the local and global ecosystem.

Knowledge & experience of CLC members

Learning & Sharing Sessions – led by Project Team (below members) for all CLC members

agl | apa | Australian Red Cross | citi
Commonwealth Bank | LAING O'ROURKE | mirvac
pwc | T | TOLL | Woodside Energy | worley

Project Co-Leads

The Climate Leaders Coalition CEOs acknowledge the leaders involved in this work throughout the year, and their teams who have supported this journey.

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- **Project Lead Sponsor** – Edgar Basto, COO, BHP **BHP**
- **Support Partner** – Adam Powick, CEO, Deloitte Australia **Deloitte.**

Independent subject matter expertise was contributed by Climateworks Centre.

Diverse voices across the ecosystem

Diverse Voices Panel

Andrew Harper
Special Advisor on Climate Action
UNHCR

Ragigia Dawai
Director General
Fiji Red Cross

Jo Etherton
Head of Purposeful Markets
Client Earth

Sarah Barker
Head of Climate & Sustainability Risk Governance
Minter Ellison
(Sarah also facilitated a Greenwashing Q&A)

Thriving Future Communities Panel

Liz Baggetta
Head of Transition, Thermal Generation
Synergy

Vanessa Glover
Stakeholder & Community Engagement Partner, Collie
Synergy

Greg Busson
WA Secretary
Mining & Energy Union

Angelica Mantikas
Oceania Representative
Earth Uprising International

UK Transition Plan Taskforce (TPT) Q&A

Jacques Morris
Group Policy Lead
Oxford Sustainable Finance Group & Team Leader
UK TPT

Sustainable Finance Q&A

Sean Kidney
CEO
Climate Bonds Initiative

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AGL

Matt Halliday
Ampol

Adam Watson
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Care

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ANZ Managing
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SAP

Elliot Rusanow
Scentre Group

Gareth O'Reilly
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Eric Swift
Vice-President &
Managing Director
ServiceNow
Australia & New
Zealand

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Global CEO
Talent International

Alan Beacham
Toll Group

Inaki Berroeta
TPG Telecom

Nick Bangs
Unilever Australia

Dean Banks
Ventia

Jayne Hrdlicka
Virgin Australia

Scott Wyatt
Viva Energy

Rob Scott
Wesfarmers

Meg O'Neill
Woodside

Brad Banducci
Woolworths Group

Chris Ashton
Worley

Non-CLC Member participating CEOs

Vicki Brady
Telstra

CLC Organising Committee Members

Anna Skarbek Member	**Beth Dowe** Executive Director	**David Thodey** Co-Chair	**Ian Smith** Member	**John Lydon** Co-Chair	**John O'Brien** Member

Judy Slatyer Member	**Keith Tuffley** Member	**Lynette Mayne** Executive Chair, The B Team Australasia	**Dr Martin Parkinson** Member	**Stuart Irvine** Member

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The B Team Australasia Support team

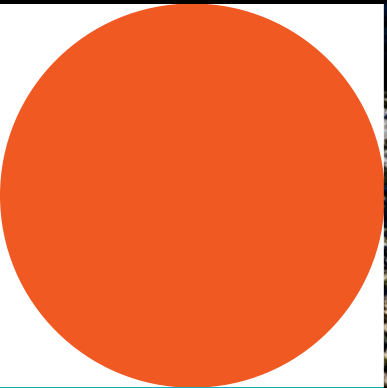|			
Alina Jurcola The B Team Australasia	**Dr Jane Watts** The B Team Australasia	**Lee Crockford** The B Team Australasia	**Val Mosely** The B Team Australasia

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