

**Australian
Council for
International
Development**

**Climate Change:
Questions for
your Governing
Body**



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Climate Change: Questions for your Governing Body

Climate change poses a major risk to the work of ACFID members in addressing poverty and undertaking sustainable development. On the other hand, there are opportunities for members to create value in new ways, such as strengthening approaches to sustainable development to improve the climate resilience of the environment, economies, and communities.

Is your governing body sufficiently and appropriately engaged with climate change, the risks posed, and opportunities presented? Is your governing body considering climate risks and opportunities in the discharge of their duties to act with reasonable care and diligence and to act honestly in the best interest of your organisation, and to further your development and humanitarian purposes?

Here are some questions to help your governing body to work out where they stand on discharging their duties concerning climate change and what else they may need to do.

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How to use this guide

This guide is arranged in the following themes:

- Accountability
- Understanding of climate change
- Governance structure
- Risk assessment
- Strategy
- Governing body and management incentives
- Reporting climate risk
- External engagement

In each theme are three levels of questions, each level dipping into a further depth of questioning.

- **Question level 1**
- **Question level 2**
- Question level 3

The top two levels of questions can be expanded or collapsed to show or hide the next level by hovering your cursor over the heading and clicking on ▲. The more detailed third level is in a checklist format to help you assess where you sit.

For smaller organisations, it may be enough to consider the top two levels of questions and, depending on how you operate, not all the questions may be relevant.

Accountability

Your governing body is responsible for the long-term health of your organisation and for overseeing management of risks and opportunities, including climate change risks and opportunities.

Does your governing body see themselves as accountable for climate risks and opportunities?

Question	Just starting	On the way	Got it covered
Does your governing body consider risks and opportunities associated with climate change? Do they see this as part of their role and is it included in their duties?			
Are your governing body's decisions informed by the best available information on climate change risks and opportunities? Can members explain their decisions in terms of climate risks and opportunities?			
When evaluating their own performance, does your governing body consider their accountabilities concerning climate change risks and opportunities?			

Understanding of climate change

Your governing body should collectively have sufficient awareness and understanding of how climate change may affect your strategy and operations.

Does your governing body have sufficient understanding of climate change and its impacts?

Does your governing body have the right mix of members?

Question	Just starting	On the way	Got it covered
Does the governing body have a robust understanding of how climate change may affect the organisation and its operations?			
Does the mix of governing body membership allow for informed and differentiated debate, and objective decision making on climate issues?			
Have climate competence gaps been identified and are actions being taken to address any gaps?			
Are any particular governing body members responsible for climate change and can they influence governing body decisions?			

How does your governing body maintain and enhance their climate knowledge?

Question	Just starting	On the way	Got it covered
Does your governing body take steps to ensure it remains educated about, and up-to-date on, climate related risks and opportunities?			
Has the governing body considered using external expertise and identified what this may be?			
Does the governing body have a succession plan for climate awareness as membership changes?			
Does the governing body maintain awareness about good climate governance practice?			
Does the organisation organise dialogues on climate and encourage participation of all relevant stakeholders?			

Governance structure

The governing body should determine how climate change is embedded into your governance structures and committees.

Is climate change embedded in your governance structure?

Question	Just starting	On the way	Got it covered
If you have governance committees, such as risk and finance committees, are climate change considerations integrated into these committees? Do you have a dedicated climate/sustainability committee to address climate considerations?			
Does the governing body know that climate is given sufficient consideration by its governance committees?			
Do your governance structures facilitate effective interaction with your executive management on climate, to ensure that they are also addressing climate?			
Has the governing body thought about setting up a climate focal person, climate advisory committee or recruiting a climate expert?			

Risk assessment

As climate change evolves over the longer term, your governing body should ensure that management assesses climate risks and opportunities not just for the short term, but also for medium- and long-term timeframes. This should be done on an ongoing basis, and that responses are proportionate to the risk. This will help ensure that the most important and critical climate risks are identified, understood, and responded to.

Do you have an effective and appropriate climate risk management process?

Is climate appropriately embedded in your risk management processes?

Question	Just starting	On the way	Got it covered
<p>Is climate considered in organisation wide risk assessments for the short, medium, and long term?</p> <p>Are the definitions of these timeframes appropriate?</p>			
<p>Does the governing body verify that your assessment processes for climate risks and opportunities are effective and that they identify the most critical and important risks and opportunities?</p>			
<p>Does the governing body ensure that climate change responses are appropriate and proportionate to the risk posed to your strategy and operations?</p>			
<p>Are climate risk assessments integrated into your budget or operating cycle planning?</p>			

Strategy

Your governing body should integrate climate change considerations into the organisation's strategy. Given high uncertainty and high variability of how climate change may play out concerning the organisation and its operations, strategic decision making should be informed by scenario analyses with results integrated into strategic planning.

Do climate risks and opportunities inform strategic decision making?

Are climate change considerations integrated into your organisation's strategy?

Question	Just starting	On the way	Got it covered
Does your organisation's strategy include a holistic climate strategy informed by scenario analysis?			
Do you incorporate climate considerations into your strategic planning, business models, financial planning and other decision-making processes?			
How does your governing body ensure that climate risk and opportunities are identified, mitigated, managed and monitored across your organisation?			
Is the governing body confident that sufficient resources have been dedicated to the identification, mitigation, management and monitoring of material climate related risks?			

Do you undertake scenario analysis to help deal with volatility and uncertainty in risk assessments and strategy?

Question	Just starting	On the way	Got it covered
To help deal with the high level of uncertainty of how climate change may play out, are different climate scenarios considered to inform the climate change risk assessments?			
How often are climate related scenario analysis repeated and does the governing body consider this appropriate and proportionate to the climate risk exposure?			
Are climate scenarios done in a way where the results can inform the governing body's action or response to climate issues?			

Governing body and management incentives

Governing body and management incentives concerning climate should be integrated into your existing incentive processes.

Are climate related targets and indicators included in executive/staff incentive schemes?

Are incentives in relation to climate issues integrated into existing incentives?

Question	Just starting	On the way	Got it covered
Are your management incentives designed to promote and reward sustainable value creation over time?			
Are climate targets or goals integrated into management incentives and how do they relate to other incentives? Are there any contradictions or inconsistencies?			
If non-executive governing body members receive incentives, do they include climate related incentives and do they avoid potential conflicts of interest?			

How are climate incentives assessed?

Question	Just starting	On the way	Got it covered
<p>Does the governing body include key performance indicators, targets, goals and/or achievements in incentive schemes?</p> <p>Is the governing body aware of their benefits and limitations?</p>			
<p>Does the governing body assess the suitability and measure the effectiveness of climate performance incentives?</p>			

Reporting climate risk

The governing body should ensure that material climate related risks, opportunities and strategic decisions are consistently and transparently disclosed to donors, funders, partners, and regulators. This could be done in annual reports and be subject to the same disclosure governance as financial reporting.

Do you ensure that material climate related risks are consistently and transparently disclosed to all stakeholders?

Are mandatory climate requirements and voluntary frameworks (e.g., ACFID Code of Conduct, ICVA’s Climate and Environment Charter for Humanitarian Organisations) incorporated into climate change reporting?

Question	Just starting	On the way	Got it covered
Do you report on material risks and opportunities associated with climate change (including financial risks and opportunities)?			
Is the governing body aware and informed of mandatory climate related reporting, or potential mandatory climate related reporting, in the jurisdictions the organisation operates in?			
Does the organisation report against any relevant voluntary climate related reporting frameworks, and if not, has the governing body considered the risks from not doing so?			
How does the governing body hold management to account for its climate regulatory reporting, and for maintaining oversight of emerging regulation and requirements?			
How does the governing body sign off on or otherwise attest to climate disclosures in annual reports and/or financial reports?			

Do you disclose accurate and decision useful climate change information?

Question	Just starting	On the way	Got it covered
Is the governing body confident that the level of climate reporting is proportionate to the risks and opportunities, and complies with any mandatory reporting requirements?			
Does the governing body feel prepared to explain climate related disclosures?			
Does the organisation report on areas where progress is insufficient or where things have not gone to plan?			
Do disclosures include information about the organisation's sector and policy engagement on climate change?			

Do you practise integrated reporting (concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term)?

Question	Just starting	On the way	Got it covered
Do you have integrated reporting in place, and if not, do you plan to do so in the future?			

External engagement

The governing body should be transparent about climate policy engagement and maintain awareness of the consistency of messaging across all types of the organisation's external engagement.

Do you maintain regular exchanges and dialogues with peers, policy makers, donors, and other stakeholders to share information and methodologies, and to stay informed of latest developments?

Question	Just starting	On the way	Got it covered
Does the governing body ensure that the organisation develops and encourages climate dialogue and methodology sharing among peers, donors, regulators, and other stakeholders?			
Does the governing body ensure that climate risks and opportunities are adequately discussed with donors and funders?			

Acknowledgement and other references

Acknowledgement

The questions above have been drawn from and adapted from [How to Set Up Effective Climate Governance on Corporate Boards: Guiding principles and questions](#)

World Economic Forum in collaboration with PwC, January 2019.

Want to dive deeper?

The following are some resources on Boards and climate change. These are targeted at Boards in the 'for profit' sector but have some relevance to our sector.

- Climate Governance Initiative Australia (companydirectors.com.au) is the Australian chapter of the Climate Governance Initiative that has been set up to promote the World Economic Forum's climate governance principles, from which this guide has been based on. The Australian Chapter is hosted by the Australian Institute of Company Directors.
 - In particular see their [Climate risk governance guide](#) which is intended to provide a plain language introduction to climate change in the context of the duties of non-executive directors.
- [Chapter Zero](#) is the UK chapter of the Climate Governance Initiative. They have developed a [Board readiness check](#) which includes a self-assessment survey for Board members which is generated from their website.
 - They have also developed a [knowledge hub](#) which includes information on climate change, risk, opportunity, scenarios, strategy and planning and roles of non-executive directors.
- Chapter Zero, with Acclimatise and MinterEllison have published [Questions to assist non-executive director oversight of physical climate risk management](#) which includes 9 questions for non-executive directors to ask their Boards.
- Chapter Zero link to Deloitte's (UK) [Climate scenarios and consumer business: Four future for a changing sector](#) which provides an example of use of climate scenarios and other guidance to helping non-directors address physical climate risks.

More generally, the following resources may be helpful for your governing body:

- [Introduction to Climate Change and Development](#), this self-paced course is designed as a foundational course to help anyone working in the development sector understand key climate-related definitions, emissions and their impact, and the ways climate change affects development work and humanitarian action.
- [ACFID Climate Change Resource Hub](#) where ACFID members share climate change related resources.
- [International Council of Voluntary Agencies Climate and Environment Charter for Humanitarian Organisation](#). This is a voluntary charter developed for and by humanitarian agencies. It includes guidance and useful resources and examples.
- [Climate Change Knowledge Portal](#) is a World Bank portal that provides global data and historical and future climate vulnerabilities and impacts by country. Useful for risk assessments.
- [Think Hazard](#) provides information on hazards for given locations that should be considered in project design and implementation to promote disaster and climate resilience. This may be useful for risk assessments.
- [Interactive Atlas](#) is a tool development by the Intergovernmental Panel on Climate Change (IPCC) for analysis of much of the observed and projected climate change information underpinning information in the IPCC's sixth assessment report. More advanced than the tools above and may be useful for risk assessments.