



BUSINESS CASE

FOR GOING CLIMATE ACTIVE

November 2019

FUTURE-PROOF YOUR ORGANISATION

A Climate Active commitment today is a fundamental part of an organisation's climate risk strategy.

Climate change will affect all sectors of the economy. Depending on the organisation, the risks of climate change to the business are both direct (property damage, asset losses and increased insurance premiums) and indirect (interruptions to the supply chain, a change to customer bases and an increase in commodity prices).

Many Australian organisations understand that accounting for and reducing their carbon emissions is not only in the interest of the planet, but also a means of protection against the negative impacts of climate change and being ready for a changing regulatory landscape and a low carbon economy.

ATTRACT AND RETAIN TALENT

Research indicates that a commitment to sustainability is an increasingly important factor in attracting and retaining talent. Many job seekers want to work for organisations with sustainable practices and employees feel more engaged and purpose-driven at work when their employer has a meaningful and demonstrable social and environmental strategy.

Companies can also experience an increased reputation as an employer of choice, resulting in better staff retention and attraction of quality employees.

A 2015 report by LinkedIn and the Altimer Group revealed that when employees feel inspired and valued at work they are 20 per cent more likely to stay at a company. Losing and replacing a good employee can cost a business up to 200 per cent of that employee's annual salary, according to research by PricewaterhouseCoopers.

Happy employees are an organisation's most effective brand advocate. The 2016 Edelman Trust Barometer found the public gives more weight to employee views and experiences than CEOs or official spokespeople when establishing trust in an organisation.

With an increased emphasis on reducing emissions both nationally and internationally, Climate Active certification can assist in developing in-house capacity and capability to understand the opportunities in a low carbon economy and manage potential future compliance obligations.

MEET GROWING EXPECTATIONS FROM STAKEHOLDERS

The process of seeking certification has expanded our internal expertise in carbon accounting, our understanding of offsetting and co-benefits, and our drive towards emission reductions. With this knowledge and having achieved the certification tick, we can confidently explain our carbon neutral story to our stakeholders
- Austral Fisheries

Many organisations become Climate Active to improve their corporate reputation among key stakeholders. Going carbon neutral can create brand differentiation and also connect with a greater number or new group of stakeholders.

Organisations are also facing mounting pressure from the community and investors to show that they are taking action against climate change. A Climate Active commitment demonstrates an organisation is serious about operating sustainably.

Not taking action represents significant legal, financial and reputational risks. In the private sector, there is increasing legal opinion that company directors need to consider climate risk as a matter of due diligence and legal duties as well as regulatory and shareholder expectations.

Barristers Noel Hutley SC and Sebastian Hartford-Davis advised in 2016 failure of directors to consider climate change risk could be found liable for breaching their duty of care and diligence in the future under the *Corporations Act 2001*. Although this opinion has not yet been tested in the courts, it has been supported by comments from the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority.

Additionally, shareholders in Australian companies have motioned for greater climate change disclosure practices with several companies facing shareholder resolutions on climate risk disclosure at their AGMs.

Climate Active certification enables a business to clearly show it is mindful of the risks of not taking action on climate change, it values the voice of stakeholders and is responding appropriately.

STAND OUT FROM COMPETITORS

The environmental and social pledges of organisations across all sectors is becoming a valuable source of competitive advantage in a crowded and noisy market. But only for those organisations that can demonstrate they are following through on their promises. Those businesses successfully bringing social responsibility into the core of what they stand for are the ones achieving an edge over their competitors.

Carbon neutrality is a genuine and demonstrable contribution to the environment that goes beyond an organisation's corporate social responsibility (CSR).

While CSR is critical to any company strategy, it is no longer the discerning factor it once was. The community expect more from organisations, from greater honesty and transparency to greater impact on global and local challenges and more responsible stewardship of natural resources and the environment. When investors and the community see a business is authentically embedding a sense of purpose and sustainability into its daily operations they act.

The Dow Jones Sustainability Australia Index has increased by 8.4 per cent a year on average, compared to 3.2 per cent for the All Ordinaries index. Unilever's 'Sustainable Living' brands delivered more than 60 per cent of the company's growth in 2016.

When quality and price are equal, the most important factor influencing consumers' brand choice is purpose, outpacing even design, innovation or brand loyalty, according to the 2012 Edelman Good Purpose report. Building on this finding, the 2016 Nielsen Global Corporate Sustainability Report revealed 66 per cent of global consumers are actually willing to pay more for sustainable goods and services.

Climate Active organisations and businesses can purchase offsets units from projects delivering tangible social and environmental outcomes that align with their broader values, further demonstrating to clients and the community their commitment to sustainability and social equity.

ENTER THE CARBON NEUTRAL SUPPLY CHAIN

Climate Active businesses have an advantage over other businesses when it comes to the supply chain – the entire system of organisations, people, activities, information, and resources involved in creating a product or service and distributing it to customers.

Increasingly corporations are embedding sustainability requirements including emissions reduction into their supply chains as a means to cut energy costs, adhere to procurement policies, meet regulation and compliance requirements, and meet expectations from the community and stakeholders.

Similarly, governments and councils across Australia are committing to ambitious emissions reduction targets. These organisations also have procurement policies in place to give preference to sustainable and/or low carbon providers over their competitors. Many councils that have not formally committed to 'net zero' still have explicit emissions reduction clauses in their procurement policies.

Climate Active certification provides, at a glance, a guarantee a product, service or organisation will not contribute to the carbon footprint of the supply chain and will meet the procurement requirements of both the private and public sectors.

SAVE ENERGY AND REDUCE COSTS

Energy waste by business not only contributes to significant unnecessary greenhouse gas emissions, it also costs thousands of dollars a year.

Drawing up a comprehensive carbon account during the Climate Active certification process allows organisations to identify which activities are most emissions heavy and where input reductions in materials and resources will result in cost savings.

Behavioural and systemic changes that reduce energy and fuel use along with investment in energy efficient technology reduces carbon emissions and can significantly lower energy bills and operational costs.

The Uniting Communities Board committed in 2010 to becoming certified carbon neutral and allocated resources to achieving this goal. Over a five year period of carbon measurement and reduction, Uniting Communities reduced their carbon emissions by 34 per cent and saved more than \$1 million.

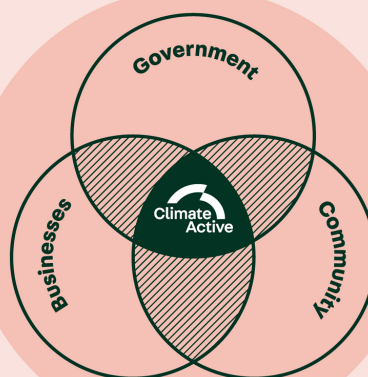
This has principally been achieved through building upgrades, policy and procurement initiatives and behaviour change.

CONNECT WITH THE COMMUNITY

Many local governments are driving a collective response to climate action with initiatives such as Carbon Neutral Adelaide and Sustainability Victoria's TAKE2 that support individuals, government, business and other organisations to reduce and offset their emissions.

Organisations and businesses that join these initiatives and pledge to be part of the collective solution to climate change through carbon neutral certification are demonstrating a commitment to their local community and subsequently enjoy the benefits this brings: connected staff, customer loyalty and a strengthened reputation.

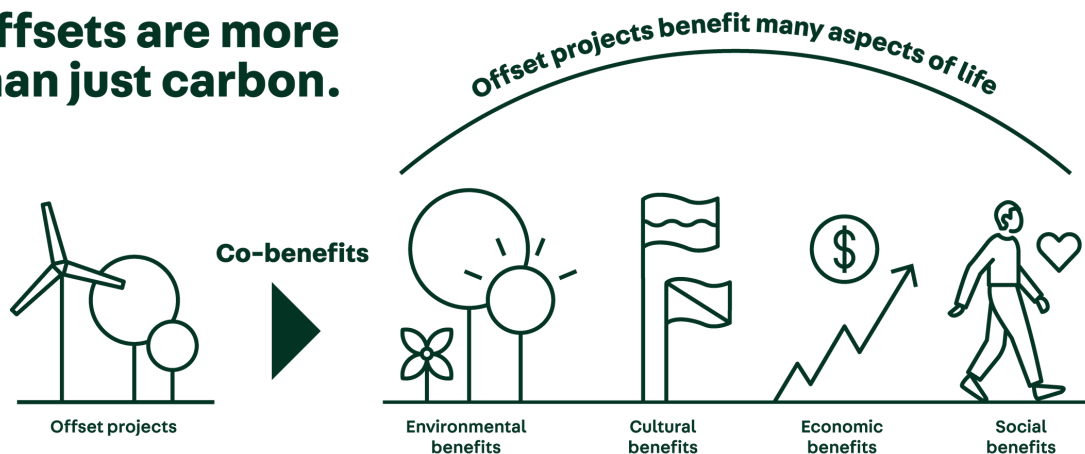
**collective
action to
drive impact**



GOOD FOR THE ENVIRONMENT

Becoming Climate Active is about reducing an organisation's impact on the environment delivered not only by eliminating their greenhouse gas emissions but also through the offsets projects which support conservation efforts.

Offsets are more than just carbon.



www.climateactive.org.au



An Australian Government Initiative