Governance Guidance

Commonwealth Climate Disclosure

This document has been developed to support you in implementing the Governance criteria of your climate disclosure. It is not mandatory to use this guidance, and you should consider how the guidance relates to your entity's individual circumstances.

Although all climate disclosure criteria should be addressed, the format for how these are disclosed is flexible (provided it meets the General Requirements). When the climate disclosure refers to different sections of an annual report, we recommend using an index.

We recommend that you use this document alongside the examples and other resources published on the Application Guidance website.

Guide to making your disclosure

The governance section of your climate disclosure should provide a high-level description of how climate risks and opportunities are managed by your entity. A summary of what should be included is detailed below.

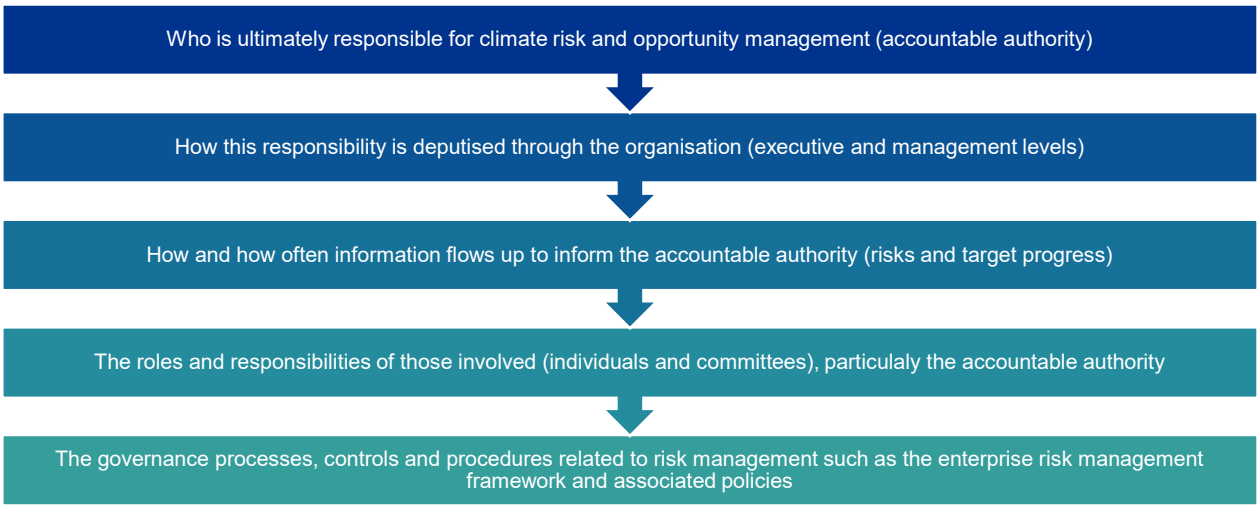


Figure 1 Summary of Governance criteria

Step 1: Review related publications

Review the Corporate Governance section of your annual report to see what is already disclosed, for example:

- identification of the accountable authority
- roles of the executive, committees and accountable authority

- description of governance processes, controls and procedures related to risk management
- governance diagram showing management hierarchy.

There is no need to duplicate relevant content in other sections of the annual report within your climate disclosure section.

Tip: Information that is publicly available at the same time and on the same terms as the climate disclosure can be disclosed by linking to the public document. For example, Corporate Plans or executive committee charters valid for the same reporting period.

Step 2: Climate risk management hierarchy

Set out the climate risk management hierarchy within your entity from the accountable authority down to implementation within the entity. This should demonstrate how responsibility is deputised down the hierarchy as well as how information is reported back up to the accountable authority.

The hierarchy can be presented in any format – a governance diagram, a table, a list, text or a combination of these. Whichever format you choose to disclose, make sure that you:

- identify the accountable authority
- identify all the relevant individuals and bodies with deputised responsibilities (assignees) for climate risk management in your entity
- cover the accountable authority and all assignees responsible for overseeing and implementing governance processes, controls and procedures
- show how and how often information is fed up through assignees overseeing implementation to the accountable authority.

Tip: Refer to the Example Climate Governance Diagrams document available on the Application Guidance website for examples of governance structures for different types of entities.

Step 3: Accountable authority role and responsibilities

Describe the roles and responsibilities of the accountable authority in further detail. This should include:

- where the accountable authority's responsibility for climate-related risks and opportunities is set out
    - Depending on your governance structure this could be in a policy, job description, website, legislation or other related policies. For example, where the accountable authority is a Board, this could be set out in the Board Charter. The aim of this criterion is to demonstrate formal roles and responsibilities are in place for the accountable authority.
    - Entities should refer to the Commonwealth Risk Management Policy which provides a guiding set of principles to assist entities in managing their risk in a considered and consistent manner.

Note: The Commonwealth Risk Management Policy supports section 16 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) which requires accountable authorities of Commonwealth entities to establish and maintain appropriate systems of internal controls for the oversight and management of risk, this is done with regards to section 15 (the proper use and management of public resources) and Section 17 (encouraging cooperation with others). Within this legislative framework all sections come together to provide a robust governance framework for the management of risk, including climate-related risks.

- how the accountable authority oversees setting climate-related targets
- For NCEs this should include endorsing the Emissions Reduction Plan under the APS Net Zero by 2030 target (refer to criteria M5-8 in the Requirements).
    - For CCEs, this will likely include endorsement of any emissions reduction targets, or other climate-related targets, set by the entity.
- how those targets will be monitored to ensure progress

For example, there are likely to be checkpoints throughout the year, or annually, to review progress against the entity's emission reduction or other relevant targets with associated reporting to the accountable authority as well as disclosure publicly in the annual report as part of the climate disclosure initiative. The emissions reporting criteria also contributes to the aggregated progress report developed by the Department of Finance (Net Zero in Government Operations Annual Progress Report).

- how the accountable authority considers climate-related risks and opportunities when making decisions, developing and delivering on corporate strategy and prioritising public funds
    - Examples of how this could be done may include:



- how the accountable authority ensures appropriate skills and competencies are available within the entity
    - You may wish to outline any skills assessment, training and recruitment processes undertaken to identify and address skills gaps in your entity. Ensure it is clear the role the accountable authority played in initiating and/or overseeing those processes.

Tips:

- Refer to the Climate Risk Management Organisation Application Guide for further guidance on how to set out governance arrangements for organisational climate risk management.
- A factsheet to assist entities undertaking a climate skills assessment is available on the Application Guidance website.
- Examples of climate-related targets include emissions reduction targets, emissions efficiency targets, renewable energy generation targets, and % of EV's in the fleet.

Step 4: Deputised roles and risk management

Explain how climate risk management functions are deputised down from the accountable authority and summarise your governance processes, controls and procedures for managing climate-related risks and opportunities. Ensure that your explanation:

- covers all the roles and responsibilities of each assignee identified in your climate risk management hierarchy
- describes how and how often the accountable authority is informed by assignees on climate risk management performance
    - NCEs may wish to consider alignment with the timing and frequency of performance metric tracking, as set out in your Emissions Reduction Plan.
- provides an overview of governance processes, controls and procedures in place for managing climate-related risks and opportunities
    - Examples of governance processes, controls and procedures include risk management frameworks, risk management policies, risk registers, and relevant executive committees.

- **Note**: Finance has established a Chief Sustainability Officer (CSO) network to connect senior officials in championing climate-related risks and opportunities across the organisation. If you have appointed a CSO as encouraged in the Net Zero in Government Operations Strategy, contact climateaction@finance.gov.au to connect with the network.
- The CSO responsibilities could be added to an existing role or it could be a standalone role, depending on your entities' circumstances, and may evolve over time.

Tip: Risk management oversight functions are commonly assigned to the Executive Board or Risk and/or Audit Sub-Committee(s) of the Board (or equivalents). The Chief Risk Officer may also have a supporting assignee role. This example climate governance diagrams document provides several examples of how climate risk management functions can be structured across a variety of entities. These examples provide generic models of how climate risk governance structures may be set up rather than being restrictive formats.

Step 5: Alignment with other policies

Ensure policies included in G2 are referenced where applicable to your entity type. Depending on entity type, this should include:

- where appropriate, disclosing your entity's climate risk management obligations, as set out under The Australian Government's Approach to Climate Risk and Opportunity Management in the Public Sector 2024-2026.
    - All NCEs should disclose their obligations to embed climate considerations into enterprise risk management strategies and key corporate documentation (such as corporate plans) and describe how your entity has embedded Climate Risk and Opportunity Management Program (CROMP) into its broader risk management approach. A reference to the corresponding Guides available on the Department of Climate Change, Energy, the Environment and Water website should be included to support your disclosure.
    - CCEs and Commonwealth companies that choose to leverage CROMP resources in developing their governance arrangements should disclose this (refer to NCE information above).
- the Net Zero in Government Operations Strategy and Commonwealth Risk Management Policy
    - All NCEs will need to ensure that when completing the G1 disclosure criterion that both of these policies are referenced and it is clear that the entity has governance in place in line with their obligations under these policies.
    - CCEs and Commonwealth companies who are not required to comply with these policies may choose to refer to them if they have been considered in the development of their own governance arrangements.

Case study: examples of implementing governance criteria

Pilot disclosures within 2023-34 annual reports highlighted a range of different approaches entities took to address the governance criteria. This included:

- The Fair Work Commission, which has a Climate Action Committee which is a consultative committee supporting the Chief Sustainability Officer in carrying out specific administrative and governance responsibilities related to climate risks and opportunities.
- The Department of Finance, which established a working group to undertake an organisation-wide climate risk and opportunity assessment with members from across the department, including members of the risk champion network.
- The Department of the Prime Minister and Cabinet, which uses existing governance structures, polices and tools to manage climate-related risks and opportunities. The integration of climate risk into existing systems is being led by the Chief Operations Officer.

Refer to Tranche 1 entity's 2024-25 annual reports for more recent examples.

Document control

Version number	Date of issue	Brief description of change
1	13/12/2024	Initial publication
2	09/07/2025	Update for 2025-26 reporting period

Contact

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