

Entered by Board Secretary

Board governance of climate change matters

For decision: For noting:

Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Approve the proposed governance framework for climate change at Auckland Transport (AT), noting that it is subject to review within 6 months and will also be evaluated as part of the governance review by PwC.
- b) Request management to prepare a climate change strategy for discussion and approval by the board.
- c) Approve climate change and Transport Emissions Reduction Plan (TERP) implementation as a standing agenda item at board meetings.
- d) Approve extending the scope of the Design and Delivery Committee (DDC), Finance and Assurance Committee (FAC) and People and Culture Committee (PCC) to provide oversight of, and consider, specific climate change matters.
- e) Approve the climate change priority matters outlined in this report.

Te whakarāpopototanga matua / Executive summary

1. The impacts of climate change are a key risk to AT and its ability to deliver to its strategy, customers and shareholder. In addition, AT has an opportunity to play a leadership role in ensuring Auckland and New Zealand deliver to climate change commitments, including greenhouse gas emissions reduction.
2. This report proposes an initial governance framework for board oversight of climate change matters, including clarity on board and committee roles and responsibilities.

Ngā tuhinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
October 2022 Board	Auckland Transport Climate Governance Working Group	The board agreed to establish a climate governance working group comprised of directors and management representatives.

Entered by Board Secretary

Te horopaki me te tīaroaro rautaki / Context and strategic alignment

3. The board considers that the impacts of climate change represent a key risk for AT and anticipate increasingly significant disruption to the organisation as the city, country, economy and citizens transition to a lower carbon way of life and build resilience to the physical impacts of a changed climate.
4. There are increasing climate change related legal, regulatory, policy and other obligations to be met and a strong case that directors have a fiduciary obligation to take climate change into account when making decisions.
5. Our shareholder, Auckland Council, declared a climate emergency in 2019 and the New Zealand government followed suit in 2020. This is the only significant long term matter on which an emergency has been declared.
6. To enable the board to effectively govern climate change matters, in the context of an emergency, it has established a climate governance working group of board members and management representatives, to consider relevant issues and make recommendations to the board.
7. This is the first of the recommendations from that working group and its purpose is to provide clarity of board and committee roles and responsibilities.

Ngā matapakinga me ngā tātaritanga / Discussion and analysis

8. Although corporate greenhouse gas reporting has been around for more than two decades, accepted practice for governance of climate change is still developing. Alongside increasingly dire warnings of the consequences of climate change, there has been a significant acceleration in governance focus globally, particularly following the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD) in 2017. New Zealand's External Reporting Board will shortly finalise mandatory Climate Related Disclosures obligations for large issuers based on the TCFD recommendations.
9. The World Economic Forum's, 'How to Set Up Effective Climate Governance on Corporate Boards: Guiding principles and questions' provides valuable guidance, alongside localised advice from the New Zealand Institute of Directors and Toitu Tahua – the Centre for Sustainable Finance. AT specific governance advice has also been sought from KPMG.
10. KPMG identifies the relevant role of the board as:
 - Strategy: ensure that climate-related risks and opportunities for positive impact have been embedded in the organisation's core strategy, model, and financial planning processes.

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- Risk management: ensure that climate-related risks have been identified and incorporated into the organisation's Enterprise Risk Management (ERM) system.
- Measurement, reporting, and assurance: ensure that the organisation is measuring and monitoring progress towards climate-related milestones, that the organisation is demonstrating best practice in reporting and that the organisation is building trust through independent assurance.

11. In order to fulfil these roles, KPMG recommends that the board first clarify its roles and responsibilities in relation to climate change. The Climate Governance working group recommends the following roles and responsibilities for the board and sub-committees. Although the working group has the mandate to make a recommendation to the board on whether to establish a new climate change and/or sustainability committee, that decision is better taken once the governance review has been completed early in 2023. As such it recommends trialling the approach outlined below, subject to a review in six months:

Board

- Ensure integration of climate change into AT's core strategy and operating model.
- Receive and provide oversight of an AT climate strategy and the TERP implementation plan.
- Lead and oversee AT's transformation to a fit for purpose operating model, culture, capability and partnerships to deliver the climate strategy and TERP.

FAC

- Oversee reporting of climate-related risks in-line with Section 5ZV of the Zero Carbon Act and the Financial Sector (Climate-related Disclosure and Other Matters) Amendment Bill, and as required by Auckland Council.
- Oversee climate-related risk management processes & controls.
- Oversee the regular review of climate related risk management processes and controls to reflect material changes in AT's business strategy, external environment and knowledge about climate-related risks.
- Oversee independent assurance of AT's climate-related reporting, including climate disclosure statements.
- Oversee compliance with climate legislation and climate-related litigation risk.
- Ensure the embedding of climate across relevant policies, processes, and practices, including a policy stipulating the process (incl. frequency and content) of external climate reporting/ disclosures and a policy for measurement and reporting of greenhouse gases.

DDC

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- Ensure that emissions reduction and adaptation/resilience to the unavoidable impacts of climate change are embedded in the design and delivery of AT's plans, programmes, projects and services.
- Ensure that TERP targets are embedded in the design and delivery of AT's plans, programmes, projects and services.
- Ensure the embedding of climate change across relevant policies, processes and practices.

PCC

- Provide leadership and oversight of the human capital, capability, expertise and training needs required of the organisation to execute climate-related plans.
- Ensure board members are provided with climate-related training so that they can engage in informed discussion, debate, and decision-making and that board members with exceptional responsibility for climate-related leadership and/or oversight are provided with additional training.
- Receive regular gap assessments of board climate-related knowledge, skills, and experience and oversee identification and delivery of climate related expertise and training needs.
- Provide leadership of climate change key performance indicator setting for relevant staff.

12. Although there is already climate change activity well underway at AT, the climate governance group has identified early priorities which the following committees will be addressed over the next six months:

- Combined board and management session on climate risks and opportunities to develop a shared understanding of the critical impacts of climate change on AT.
- Development of a quantitative assessment of risk – to be reported to FAC.
- Development of an internal policy to enable management to keep the board up to date with changing risks and opportunities – to be reported to FAC.
- Development of an asset resilience plan – to be reported to DDC.

13. The key conduit to reporting to the board and committees will be the Climate Change and Sustainability Enterprise Portfolio Steering Group which is comprised of selected Executive Leadership Team members and is chaired by the Executive General Manager, Planning and Investment.

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Ngā tūraru matua / Key risks and mitigations

14. The proposed governance framework is being established to ensure that AT adequately addresses the risks posed through climate change and that sufficient oversight is provided by the board (and committees). The framework will be evaluated through the governance review via a third party (PwC) and improvements adopted through the review and via feedback from directors on completion of the six month trial period.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

15. There are likely to be additional resourcing requirements to facilitate delivery of the above board and committee requirements, which will be managed through existing management approval mechanisms.

Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

16. The proposed governance framework will assist with ensuring that climate change objectives are being met, including oversight of AT's contribution to delivering to operational greenhouse gas emission reduction targets.

Ngā whakaaweawe me ngā whakaaro / Impacts and perspectives

Mana whenua

17. N/A.

Ngā mema pōti / Elected members

18. N/A.

Ngā rōpū kei raro i te Kaunihera / Council Controlled Organisations

19. N/A.

Ngā kiritaki / Customers

20. N/A.

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Ngā whaiwhakaaro haumarū me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

21. N/A.

Ā muri ake nei / Next steps

22. Assuming board approval, management will begin preparations to deliver to the board and committee requirements outlined as well as the priority matters outlined in this report.

Te pou whenua tuhinga / Document ownership

Recommended by	Andrew Downie Governance Lead	
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