

2024 PROGRESS REPORT

table of contents

Executive summary



| About this report | 6 |
|---|----|
| About the BCCM | 7 |
| Preface from Melina Morrison | 8 |
| The Co-operatives and Mutuals Declaration of Climate Action | 9 |
| Current signatories to the Declaration | 12 |
| Introduction | 13 |
| What is climate action? | 16 |
| The climate action journey for co-operatives and mutuals | 18 |
| Act urgently and proportionately | 19 |
| Assessing climate-related risks and opportunities | 23 |
| Measuring our carbon footprint and setting targets | 25 |
| Cautious use of offsetting | 29 |
| Reporting on climate action and progress | 32 |
| Maximising wider sustainability benefits from climate action | 35 |
| Developing supporting governance | 40 |
| Gaining value from co-operation and collaboration | 41 |
| In summary | 44 |
| Committing to climate action | 44 |
| What is the BCCM doing to support co-operatives and mutuals in climate action and ESG initiatives | 45 |

3

Executive summary

The Co-operatives and Mutuals Declaration of Climate Action (the *Declaration*) is a set of principles broadly aligned with the **United Nations Race to Zero**¹, which is an initiative to mobilise climate action amongst regions, cities, businesses and investors. The Declaration was launched at the BCCM Leaders' Summit in Melbourne on 18th November 2022.

Australia faces significant climate challenges, including rising temperatures and increasing natural disasters, necessitating urgent action. Co-operatives and mutuals, which represent a substantial portion of the Australian economy, play a vital role in this response.

¹ United Nations Race to Zero https://climatechampions.unfccc.int/

Key findings of this report include:

- **Co-operatives and mutuals are influential and important for climate action:** 80% of Australians are members of co-operatives and mutuals, which play an important role in the Australian economy from agriculture to banking.
- Climate is becoming an organisational governance issue: Many members report that climate action is becoming more important as a strategic issue, and climate is being discussed at a senior level. Australia's new mandatory climate reporting requirements reinforce this.
- Net zero plans are becoming prevalent: Many co-operatives and mutuals have developed robust net zero plans, focusing on reducing emissions, adopting renewable energy and developing climate-related products and services as well as climate-resilience-related community projects.
- Co-operatives and mutuals are measuring their impacts and getting better metrics: Many co-operatives and mutuals are calculating their carbon footprints (Scope 1, 2 and 3 emissions) and conducting climate-related risk assessments to better manage climate impacts.
- **Co-operatives and mutuals are beginning to set UN Paris aligned carbon targets:** BCCM members are increasingly aligning their emissions reduction targets with the Science Based Targets initiative (SBTi), with several organisations committing to ambitious interim and long-term goals.
- Many co-operatives and mutuals are using carbon offsets but caution is needed: While carbon offsets are being used by some co-operatives and mutuals for climate neutrality, there is an increasing emphasis of focus on direct reduction in GHG emissions.
- Climate action is yielding wider benefits to co-operatives and mutuals: Climate action initiatives yield additional benefits, including job creation, innovation and biodiversity protection, enhancing overall community resilience.
- Co-operatives and mutuals are naturals at collaboration and member engagement: They leverage their co-operative models for collaboration and democratic decision-making, fostering member engagement in shaping sustainability strategies and enhancing climate literacy across leadership.

This report has found that many co-operatives and mutuals are taking meaningful steps in their climate action journeys, developing net zero plans and implementing measures such as community-led, zero-net emissions projects and transitioning to renewable energy.

BCCM signatory members are conducting climate risk assessments and calculating their carbon footprints to enhance reporting and management of emissions.

Some have set (or are planning to set) emissions reduction targets aligned with the Science Based Targets initiative (SBTi) and many have committed to ambitious net zero goals, setting emissions reduction targets.

Co-operatives and mutuals are also realising broader sustainability benefits from climate action, such as job creation and innovation. By leveraging their community-led models, they are introducing green products and services, engaging members and evolving governance structures to align with climate goals.

Collaborative efforts across sectors and an emphasis on climate literacy at the leadership level are vital for driving long-term climate action, while specific challenges faced by First Nations enterprises highlight the need for careful management and knowledge sharing.

We invite organisations in the co-operative and mutual space who are not yet signatories to join us in this endeavour.





About this report

The Co-operatives and Mutuals Declaration of Climate Action (the Declaration) is a set of principles broadly aligned with the United Nations Race to Zero² which is an initiative to mobilise climate action amongst regions, cities, businesses and investors. The Declaration was launched at the BCCM Leaders' Summit in Melbourne on 18th November 2022.

So far, the Declaration has been signed by 21 cooperatives and mutuals across Australia, representing a range of sectors.

This report is both a report on progress of implementation of the Declaration and a call to action to engage and inspire other organisations to take part in climate action.

This report has been prepared around a series of interviews conducted by Watts Sustainability with signatories to the Co-operatives and Mutuals Declaration of Climate Action ahead of the BCCM 2024 Leaders' Summit. It is intended to summarise the findings from this research.

About co-operatives and mutuals

Co-operatives and mutuals are businesses formed to benefit their members, drawn from the stakeholders of the business such as customers, suppliers, employees or people in the local community.

The purpose is different from an investor-owned firm; co-operatives and mutuals exist to deliver benefits back to members, rather than profit maximisation and returns to investor. This means that they can concentrate on returning benefits to members instead of an economic reward for shareholders.

Co-operatives and mutuals operate across the Australian economy. From farming to finance, health to housing, motoring to manufacturing, they deliver trusted products and services in some of the most competitive domestic and international markets.

² United Nations Race to Zero https://climatechampions.unfccc.int/

Report authors:

Fleur Ruckley, Associate Director, Watts Sustainability Peter Watts, Director, Watts Sustainability

Report contributors:

Siobhan Henderson, Strategy and Impact Manager, Australian Unity Ashley Bleeker, Strategy and Impact Manager, Australian Unity Jane Kern, Head of Impact Management, Bank Australia Toby Wright, Head of Strategy and Sustainability, CBH Group Linda Henry, Head of Corporate Affairs and Sustainability, Great Southern Bank Laurel-Lee Blain, Senior Manager - External Communications, Great Southern Bank Taryn Lane, General Manager, Hepburn Energy Paul Saeki, CEO, NAAKPA Michael Tons, Executive Manager, Sustainability and Community Impact, People First Bank Carly Osborn, Sustainability Manager, P&N Group Will Soutar, Head of Sustainability, RACQ Adelle Cousins, Digital Communications Officer, BCCM





3CCM

About the BCCM

The BCCM is the peak body for co-operatives and mutuals in Australia. We unite these businesses with the common objective of increasing awareness of co-operatives and mutuals and the important contribution they make to the economy and community life.

We are a powerful and informed voice in the business community, working to remove the barriers to fair competition and improving the business environment for all co-operatives and mutuals. Our national network of member-owned businesses fosters innovation and business relationships in the sector. Our members believe that co-operatives and mutuals help to build a more inclusive, prosperous and sustainable Australia.

The BCCM supports the goals of the United Nations (UN) Paris Agreement on Climate Change and the Intergovernmental Panel on Climate Change (IPCC). The aim is to keep global warming to within 1.5 degrees, or as close as possible, within the twenty-first century including reaching net zero in advance of 2050 with a focus on short-term decarbonisation.

Preface from **Melina Morrison**

In an era marked by the rising urgency of climate action, the role of co-operatives and mutuals has never been more critical. As member-driven entities, embedded in communities, we embody a unique commitment to social and environmental sustainability.

I believe that the BCCM should be prioritising work that delivers on wellbeing for both people and the planet. This report delves into some of the inspiring climate action initiatives undertaken by our members since we launched the Co-operative and Mutual Declaration of Climate Action in 2022, showcasing our collective efforts to combat the climate crisis.

Climate action is not only about managing risks - it is also about taking the opportunities that present from the transition to a low-carbon economy. Australia and the entire world are undergoing the biggest and fastest economic transformation since the industrial revolution. Action to reduce emissions will help prevent the worst impacts of climate change and will also create a boom in new markets and innovations.

This report highlights some of the diverse climate action strategies employed by co-operatives and mutuals. From renewable energy projects to sustainable agriculture, our sector is finding innovative solutions that not only reduce carbon footprints but also empower local communities. By harnessing the principles of co-operation, solidarity and democratic governance, we are proving that effective climate action can be both economically viable and socially just.

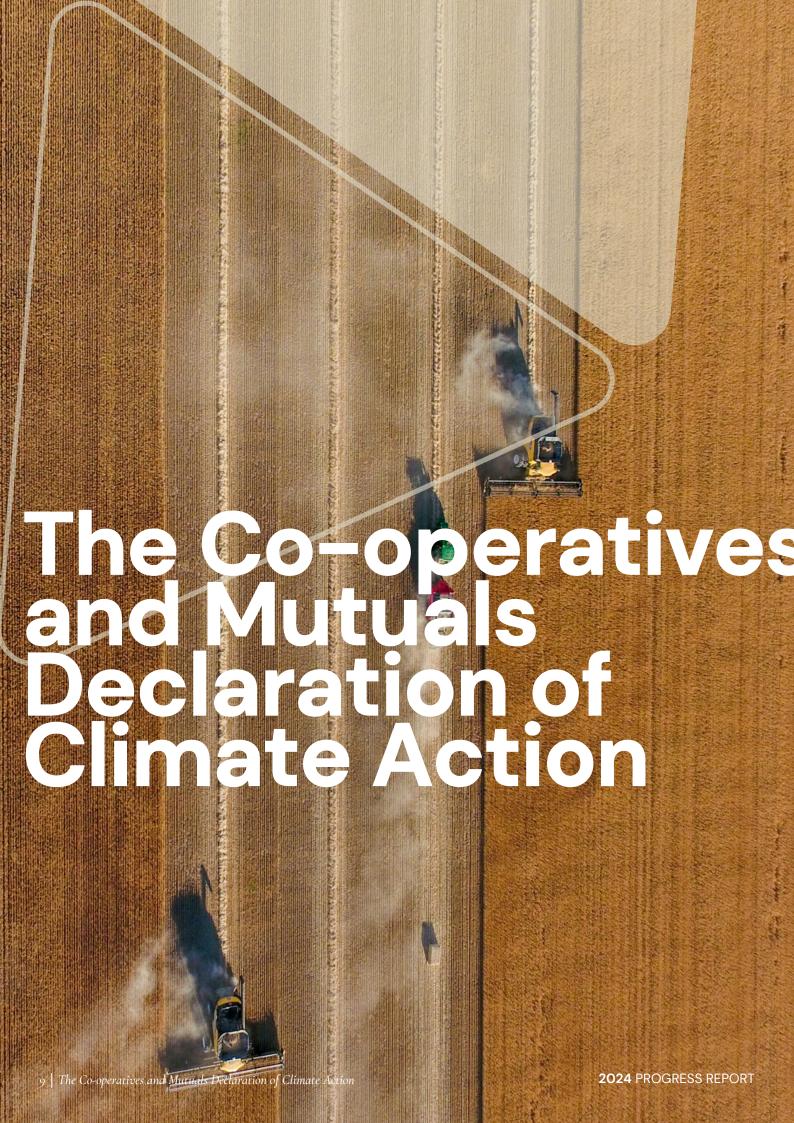
Together, we can inspire action towards a more sustainable world, reinforcing the belief that collective action is key to addressing one of humanity's greatest challenges.

We invite those organisations that are not yet signatories to the Declaration, to join us on this journey.

Melina Morrison

CEO, BCCM, October 2024





As a signatory to the Co-operatives and Mutuals Declaration of Climate Action we agree:

- The response from our organisation to climate change includes transitioning to net zero as per the recommendations of the United Nations Paris Agreement on Climate Change and the Intergovernmental Panel on Climate Change.
- The transition must be just, which means ensuring that climate action protects the planet, people and the economy.
- · Co-operatives and mutuals have a singularity of commitment to our stakeholders, our members, our community and wider society to act in the interests of people and planet as outlined by Principle 7 of the International Cooperative Principles which enshrines "care for the community" in our business DNA.
- As co-operatives, we can use the special relationships we have with our members, customers, workers, suppliers and communities to achieve net zero and work with them to take advantage of the opportunities from the low-carbon transition.

³ https://bccm.coop/campaign/co-operative-and-mutual-climate-policy/



We commit to the following:



We will act urgently and proportionately in our response to climate change reducing our emissions to net zero before 2050 and putting in place actions to start decarbonisation as soon as possible.

We will undertake an assessment on the risks and opportunities posed by climate change on our organisation, our customers, members and business model, and develop a plan to mitigate these risks and build resilience to climate-related shocks.





We will measure our carbon footprint so we know our baseline and set meaningful targets aligned with climate science.

We will use carbon offsets cautiously and as recommended by climate science and not as a proxy for taking action within our own organisation.





We will communicate on our climate progress and the implementation of this declaration to our stakeholders on a regular basis.

Our journey to net zero will maximise wider sustainable development benefits such as protecting nature, improving air-quality and job creation.





We will establish supporting governance for the journey to net zero including ensuring the response to the climate crisis is reflected in different areas/functions of our organisation.

In line with Principle 6 of the International Cooperative Principles – "Cooperation among Cooperatives" - we will collaborate with other organisations across the BCCM family from multiple sectors, to share practices and learnings as well as explore new opportunities from the low carbon transition.



Current signatories to the Declaration















































As a country blessed with diverse ecosystems and rich natural resources. Australia stands at a crossroads where our environmental stewardship is critical to safeguarding our future. Australia is also vulnerable to climate impacts including rainfall pattern changes and more intense natural disasters - for example, the 2022 flooding in the Northern Rivers region of New South Wales had significant impacts on a number of the BCCM's members.

The opportunity for climate action in Australia is vast and multifaceted, presenting a chance to drive economic growth, enhance resilience and lead in global sustainability efforts⁴.

The co-operative and mutual community is a "sector of sectors", with member organisations of different sizes in sectors including banking, insurance, housing, roadside assistance, agriculture and energy. We therefore have a unique opportunity to collaborate and apply learnings from our different sectors in how we respond to this issue which affects everybody.

The BCCM position statement on climate change

Climate change is a first-order risk to the Australian environment, society and economy. Eight in ten Australians are members of at least one co-operative or mutually owned organisation and co-operatives and mutual enterprises (CMEs) are key to Australia delivering on the global imperative for net zero greenhouse gas emissions and the Australian Climate Change Bill 2022.

The focus globally has shifted from whether or when climate change will happen to what can be done now to prevent its worst impacts. To keep the international goal of keeping warming within 1.5°C attainable, global greenhouse gas (GHG) emissions must peak immediately, with net zero emissions achieved in advance of 2050 which is the key goal of the UN Paris Agreement³.

Data shows that current global efforts are not on track⁶, and therefore it is critical for all actors governments, corporations, co-operatives and mutuals - to urgently intensify their climate action.

Australia has committed to achieving net zero emissions by 2050 and will reduce GHG emissions by 43 per cent below 2005 levels by 2030⁷. This is reinforced by commitments by each Australian state to reach net zero by 2050 accompanied by interim emissions reduction targets.

International climate developments are influencing the Australian market, with companies and investors increasingly viewing alignment with a net zero future as a financial and governance priority. For example. Europe is advancing carbon policies, including a Carbon Border Adjustment Mechanism to prevent "carbon leakage" (which means there could be tariffs on goods imported from countries with less stringent carbon regulation than the European Union).

⁴ CEDA Climate and Energy Conference -Thinking like the Renewable Energy Superpower of the World www.bpb-apse2.wpmucdn.com/blogs.unimelb.edu.au/dist/a/142/files/2023/06/THINKING-LIKE-A-SUPERPOWER-Ross-Garnaut-media-copy.pdf

⁵ UNFCCC - The Paris Agreement https://unfccc.int/process-and-meetings/the-paris-agreement

⁶ Carbon Tracker wwww.carbontracker.org

⁷ Australian Government Climate Commitments www.aofm.gov.au/sites/default/files/2022-11-28/Aust%20Govt%20CC%20Actions%20Update%20November%202022_1.pdf

Domestically, within the ASX200, net zero commitments have tripled, with half of these companies setting net zero targets, and a quarter aiming to achieve this by 2050 or sooner⁸.

This direction of travel and business imperative was recognised by the BCCM and its members with the launch of the Co-operatives and Mutuals Declaration of Climate Action at the BCCM Leaders' Summit in Melbourne in October 2022.

Implementation of the upcoming legislation on climate reporting - the Australian Sustainability Reporting Standards (ASRS) will extend disclosure requirements significantly - with consequences for many of the larger co-operatives and mutuals. Although this legislation was announced after the launch of the Declaration, the requirements align well with components of the Declaration.

The Declaration can be viewed as being complementary to these expanding reporting requirements.

Key findings of this report include:

- Co-operatives and mutuals are influential and important for climate action: 80% of Australians are members of co-operatives and mutuals, which play an important role in the Australian economy from agriculture to banking.
- Climate is becoming an organisational governance issue: Many members report that climate action is becoming more important as a strategic issue, and climate is being discussed at a senior level. Australia's new mandatory climate reporting requirements reinforce this.
- Net zero plans are becoming prevalent: Many co-operatives and mutuals have developed robust net zero plans, focusing on reducing emissions, adopting renewable energy and developing climate-related products and services as well as climate-resilience-related community projects.
- Co-operatives and mutuals are measuring their impacts and getting better metrics: Many co-operatives and mutuals are calculating their carbon footprints (Scope 1, 2 and 3 emissions) and conducting climate-related risk assessments to better manage climate impacts.
- Co-operatives and mutuals are beginning to set UN Paris aligned carbon targets: BCCM members are increasingly aligning their emissions reduction targets with the Science Based Targets initiative (SBTi), with several organisations committing to ambitious interim and long-term goals.
- Many co-operatives and mutuals are using carbon offsets but caution is needed: While carbon offsets are being used by some co-operatives and mutuals for climate neutrality, there is an increasing emphasis of focus on direct reduction in GHG emissions.
- Climate action is yielding wider benefits to co-operatives and mutuals: Climate action initiatives yield additional benefits, including job creation, innovation and biodiversity protection, enhancing overall community resilience.
- Co-operatives and mutuals are naturals at collaboration and member engagement: They leverage their co-operative models for collaboration and democratic decision-making, fostering member engagement in shaping sustainability strategies and enhancing climate literacy across leadership.

^{8 1.5°}C climate goal: How does the ASX200 stack up in 2022 www.climateworkscentre.org/resource/1-5c-climate-goal-how-does-the-asx200-stack-up-in-2022/

What is climate action?

Decarbonisation of the global economy is quickly gathering pace, and there are huge opportunities to create more jobs, better health, a stronger and fairer economy for those countries and companies that move first and fastest.

According to the United Nations, climate action "means stepped-up efforts to reduce greenhouse gas emissions and strengthen resilience and adaptive capacity to climateinduced impacts"9.

It includes measurement of an organisation's impact on climate change, understanding climate-related hazards and building resilience to reduce the impact of these hazards, as well as raising awareness and building skills and capacity within organisations and the community.

Explainer on the Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 countries at the UN Climate Change Conference (COP21) in Paris on 12 December 2015, and entering into force on 4 November 2016. The treaty's primary objective is to limit the global average temperature rise to well below 2°C above pre-industrial levels, while striving to limit the increase to 1.5°C.

To limit global warming to 1.5°C, greenhouse gas emissions must peak before 2025 at the latest and decline 43 per cent by 2030.

The Agreement operates on a five-year cycle, requiring countries to submit increasingly ambitious national climate action plans, known as Nationally Determined Contributions (NDCs). These NDCs, first submitted in 2020, must demonstrate greater ambition with each iteration.

Australia's commitments are legislated under the Climate Change Act 2022¹¹, which commits Australia to a net zero economy before 2050.

In Australia, large businesses and financial institutions will be required to prepare sustainability reports in accordance with the Australian Accounting Standards Board's standards, with a phased roll out based on organisational size and complexity, starting with financial year 2025 (FY25).

The Australian Sustainability Reporting Standards (ASRS) brings legal reporting requirements for Australian firms into alignment with frameworks from other important markets including the European Union.

⁹ UN SDG Helpdesk - learn more about climate action https://sdghelpdesk.unescap.org/learn-more-about-climate-action 10 Australia's NDC https://unfccc.int/sites/default/files/NDC/2022-06/Australias%20NDC%20June%202022%20Update%20%283%29.pdf

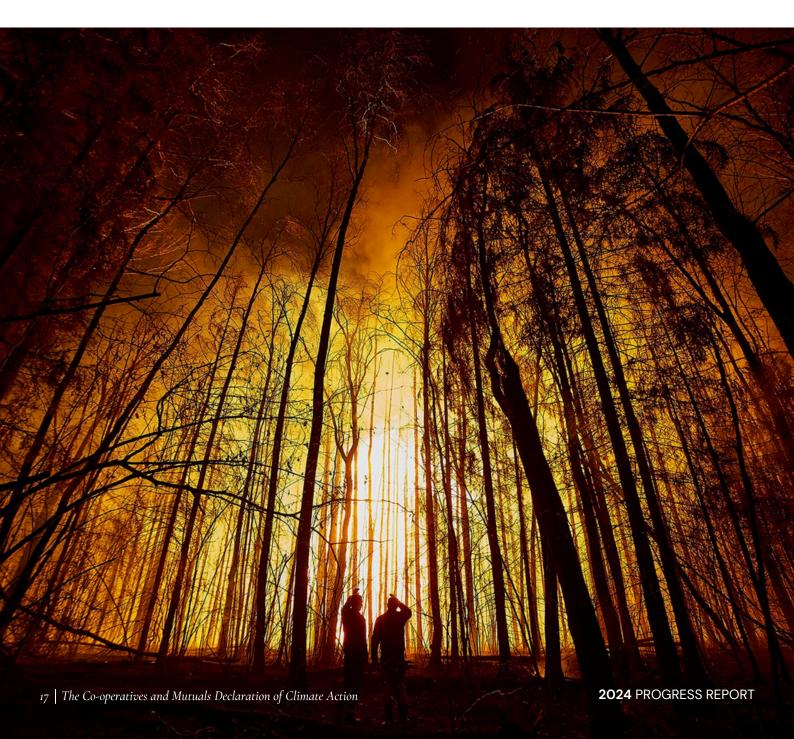
¹¹ Australian Government Climate Change Commitments https://www.aofm.gov.au/sites/default/files/2022-11-28/Aust%20Govt%20CC%20Actions%20Update%20November%202022_1.pdf

According to a 2021 report commissioned by the Australian Business Roundtable for Disaster Resilience & Safer Communities¹², the "Australian economy is facing \$1.2 trillion in cumulative costs of natural disasters over the next 40 years even under a low emissions scenario". Acting now is predicted to significantly reduce these longer-term costs.

Globally, the business community and private sector have a major role to play in addressing the climate crisis.

Australian businesses face enormous challenges ahead, but many Australian businesses (including BCCM members) are making strides towards net zero and are communicating that journey.

12 Deloitte Special Report – Update to the economic costs of natural disasters in Australia https://www.iag.com.au/sites/default/files/Newsroom%20PDFs/Special%20report%20_Update%20to%20the%20economic% 20costs%20of%20natural%20disasters%20in%20Australia.pdf





The climate action journey for co-operatives and mutuals

Many of the BCCM's members (and co-operatives and mutuals more broadly) will be impacted by legal reporting requirements as well as climate-related issues more generally. For example:

- · How should an agricultural producer respond to changing demand for more sustainable products as well as planning for changing weather patterns that can affect crop yields?
- How can a motoring assistance organisation respond to rising demands related to vehicle electrification and diversify its portfolio of products and services?
- How can a bank respond to the demand from its members for greener financial services, such as lending, to make houses more climate resilient and lower carbon?

· How can an insurance mutual respond to the risks posed from a changing climate and still protect its members?

The Declaration sets out how signatories will respond to the net zero transition and take advantage of the opportunities for prosperity from a low-carbon economy.

The following sections summarise some of the steps taken by our members along their climate action journey, aligning this action with the commitments within the Declaration.

The BCCM Position Statement on Climate Change

By their very nature, co-operatives and mutuals seek to build value over the long term for their members and the communities they serve. This includes working collectively to respond to the urgency of the risks posed by the climate crisis as well as identifying the opportunities for increased prosperity and resilience from a fair and just transition to the low-carbon economy. This is a model for future prosperity if we take strong climate action now and in the coming years and ensure a just transition.

Act urgently and proportionately

Co-operatives and Mutuals Declaration of Climate Action We will act urgently and proportionately in our response to climate change - reducing our emissions to net zero before 2050 and putting in place actions to start decarbonisation as soon as possible.

Developing net zero plans

Many BCCM members have publicly stated their intention to act in response to climate change. Many of them have developed that intention further with a policy or plan outlining how they intend to achieve this.

For example, Bank Australia¹³, P&N Group¹⁴and Great Southern Bank¹⁵, also illustrated below.



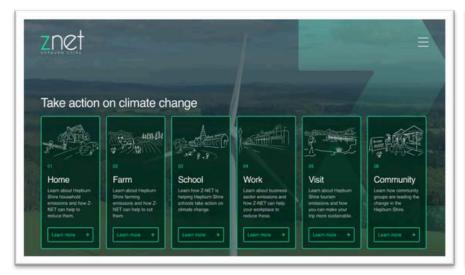


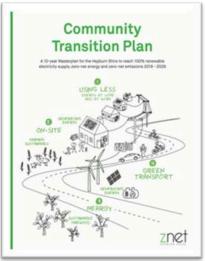


Hepburn Energy has taken this further in that its climate action plan extends beyond the organisational boundaries in the creation of Hepburn Z-NET, a community partnership working to make the Hepburn Shire the first zero-net emission community in Australia.

It has developed a Community Transition Plan to articulate this vision¹⁶, outlining how the community will reach 100 per cent renewable electricity supply and net zero GHG emissions by 2029.

- 13 Bank Australia Climate Action Strategy: https://cdn.prod.websitefiles.com/60d17fcb9fefe90dc3b30df4/624be1cd8028b80a587e204f_Climate%20Action%20Strategy_March2022.pdf
- 14 BCU Climate Action Plan: www.bcu.com.au/globalassets/documents/pdf/pn-group-climate-action-plan.pdf
- 15 Great Southern Bank Climate Action Plan www.greatsouthernbank.com.au/__data/assets/pdf_file/0033/453957/Climate-Change-Action-Plan.pdf
- 16 Hepburn Energy Community Transition Plan www.hepburnznet.org.au/wp-content/uploads/2020/06/Z-Net_CTP_Screen-1.pdf





Case study: P&N Group Action Plan



P&N Group has developed and published its Climate Action Plan 2024 - 2026, which acknowledges the urgency of climate change and the importance to act meaningfully now and to set science-based targets

in the future. It includes four main areas of focus:

- Operational climate action focuses on the commitment to not lend to fossil fuel exploration or power generation, and near-term targets around renewable energy, emissions reduction and electrification of vehicles.
- Managing climate risk commits the bank to embedding climate risk assessments and disclosures into strategy and operations and disclosing these details as part of upcoming mandatory climate-related reporting.
- Supporting customers, their homes and businesses outlines the bank's intention to support customers to understand and mitigate their risk and to respond to climate-related disasters.
- · Collaborate with partners commits the bank to working with the BCCM, Customer Owned Banking Alliance (COBA), suppliers and partners to further climate action.



Developing decarbonisation initiatives

BCCM members have started on their decarbonisation journey, with actions falling mainly into three categories: emissions reduction, renewable energy and transport. These are explored below with some examples of actions taken recently.

Greenhouse gas emissions reduction examples

Hepburn Energy has minimised operational emissions, including encouraging staff to use electric vehicles and implementing paper-free, waste and recycling practices in its offices.

CBH Group joined a consortium of companies in June 2023 to participate in the Blue Visby project, a shipping trial that aims to reduce greenhouse gas emissions 17.

The Blue Visby Solution helps ships determine the best time to arrive at their destination, which can reduce fuel consumption and CO emissions by up to 5 per cent.

In the past year, P&N Group has reduced electricity consumption and recycled almost one tonne of old uniforms into commercial products via Upparel.

Case study: People First Bank decarbonisation initiatives



People First Bank has developed a number of initiatives to deliver on decarbonisation

- People First Bank has successfully implemented measures to reduce its Scope 1 and Scope 2 emissions across its network. Notable achievements include upgrades to energy-efficient LED lighting and advanced building management systems, resulting in substantial energy savings.
- It has commenced the replacement of its current motor vehicle fleet with 75 per cent of the fleet now hybrid. This transition has seen petrol consumption reduced by 45 per cent in the past year when compared to the prior period.
- A significant contributor to People First Bank's carbon footprint is postage, couriers and freight. The bank will continue to encourage members to opt in for digital statements and communication, reducing the frequency of deliveries to branches and working with carbon neutral suppliers.
- Further review and analysis of other components significantly contributing to the bank's carbon footprint will be conducted to identify areas for emission reduction. This includes working with suppliers to assess their environmental performance and ensure a more sustainable supply chain.

17 Blue Visby https://www.cbh.com.au/news/2024/05/cbh-welcomes-promising-shipping-emissions-reduction-results-following-maiden-blue-visby-trial



Renewable energy examples

Bank Australia, Hepburn Energy and RACQ are all using 100 per cent renewable electricity in their owned buildings, either through onsite solar and wind generation or via purchase agreements.

P&N Group is transitioning to renewable energy, with 42 per cent of P&N Group branches and offices supplied by certified GreenPower.

Transport examples

Bank Australia is working to minimise the carbon footprint of business by transitioning its fleet to electric vehicles (EVs) and supporting ways to reduce business travel and improve its waste management systems.

Bank Australia Net Zero 2035 update.

"Moving our Head Office closer to public transport and bike paths has reduced our staff's reliance on cars and motorbikes to get to work. The use of active and public transport is at 70 per cent for staff survey respondents at our head office, up from 21 per cent at June last year." (Place of Work and Commute Survey, March 2023)

Supplier engagement examples

Some of our members are integrating climate action criteria into their procurement policies and processes. Supply chain is typically a significant driver of Scope 3 GHG emissions for most organisations.

RACQ has implemented a Group Procurement Policy to include sustainability considerations, stating its commitment to ethical, sustainable and socially responsible business practices across procurement activities and dealings with suppliers¹⁸.

P&N Group strengthened its supply chain process by incorporating an Environmental, Social and Governance (ESG) assessment and ESG credentials when selecting new suppliers.

Great Southern Bank has embedded sustainability into its procurement practices by incorporating ESG criteria into all contracts valued over \$500,000. This approach ensures sustainability is a key consideration in major procurement decisions.

¹⁸ RACQ Group Procurement and Supplier Management Policy www.racq.com.au/-/media/project/racqgroup/racq/pdf/corporate/group-procurement-and-supplier-management-policy-v5-sep-2022.pdf

Assessing climate-related risks and opportunities

Co-operatives and Mutuals Declaration of Climate Action We will undertake an assessment on the risks and opportunities posed by climate change on our organisation, our customers, members and business model, and develop a plan to mitigate these risks and build resilience to climate-related shocks.

In the main, signatories have either carried out an assessment of climate-related risks and opportunities or are in the process of doing so.

Using scenario analysis to better understand climate risk

Climate scenario analysis is a tool that helps assess the risks of climate change by modelling the impact of different climate scenarios for a business and its value chain - usually aligned with potential future socio-economic or emissions-based scenarios.

For example:

- · What is the impact on my organisation from the increasing risk of floods and/or drought?
- What are the implications from a changing climate in terms of the demand for our goods and services?
- How can we respond to climate impacts affecting our members?

It can also be used to help businesses understand the implications of climate change on their operations and to develop strategic plans to respond to potential risks and opportunities.



Case study: Great Southern Bank climate risk assessment



Great Southern Bank is an Australian customer-owned bank that was formerly known as Credit Union Australia. In 2023, it provided banking services to more than 400,000 Australians.

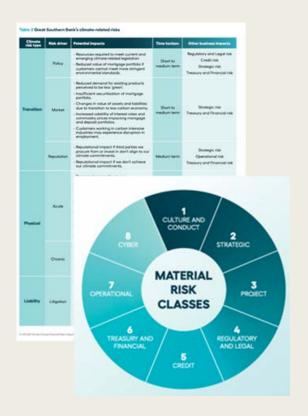
The bank outlines its approach to identifying and assessing its climate-related risks in its climaterelated financial disclosure 2023¹⁹.

The bank used short (0-3 years), medium (3-10 years) and long term (10-30 years) timeframes to structure the assessment, identifying seven material risk classes.

In FY21, the bank completed an initial assessment of climate-related physical risks that may impact its residential mortgage portfolio (its largest asset in terms of the outstanding loan amount on its balance sheet). In FY23, this work was expanded through stress testing.

"This helped us to understand and assess our vulnerabilities and resilience against severe but plausible scenarios, particularly the adequacy of capital levels in line with regulatory requirements."

GSB climate-related financial disclosure 2023



Scenario analysis is an iterative process which can be improved over time. For example, organisations can start with just a qualitative approach and move to more complex quantitative modelling. Some BCCM members are using scenario analysis in their climate action journey. For example:

Australian Unity has conducted preliminary scenario analysis, focusing on the potential impacts on various parts of its business, including home health services and aged care facilities. While the initial qualitative assessment did not reveal dramatic impacts, Australian Unity recognises the need to continue refining its analysis and quantifying the risks.

CBH Group carried out an initial scenario analysis. The findings indicated that the company could continue increasing production despite the anticipated impacts of climate change. This is due to continuing innovations in farming practices and the implementation of technologies.

RACQ has recently commissioned a qualitative scenario analysis on its existing and future business lines. This scenario analysis identified nine different qualitative scenarios that RACQ needs to prioritise. The next step for RACQ is to move towards doing more quantitative climaterelated scenario analysis.

¹⁹ Great Southern Bank Climate Disclosure Report https://www.greatsouthernbank.com.au/__data/assets/pdf_file/0043/493999/Great-Southern-Bank-Climate-related-financial-disclosure-2023.pdf

Measuring our carbon footprint and setting targets

Co-operatives and Mutuals Declaration of Climate Action We will measure our carbon footprint so we know our baseline and set meaningful targets aligned with climate science.

It is becoming a common requirement for organisations to measure their emissions of carbon dioxide (CO²) and other GHGs. This is a regulatory or contractual requirement for some organisations, but it is also vital in understanding and identifying where to focus climate action.

Calculating carbon

This report has found that signatories are at different stages in the calculation of their carbon footprint.

Most interviewees have either only calculated Scope 1 and 2 emissions so far. However, some signatories such as **Bank Australia**²⁰ and **Great** Southern Bank²¹ have also calculated large parts of their Scope 3 emissions.

Explainer on carbon footprints

A carbon footprint is a measure of GHGs including carbon dioxide, methane and refrigerant F-gases. The main standard used internationally for measuring these is the Greenhouse Gas Protocol²², which provides a readily understood and accepted framework. The Protocol uses the terminology Scope 1, 2 and 3.

Scope 1 emissions: GHG emissions under direct control, such as burning of fuels for heating, leaks of air-conditioning refrigerant gases or emissions related to internal combustion engine vehicles under direct control.

Scope 2 emissions: GHG emissions related to purchased electricity - Scope 2 emissions can be reduced through the procurement of renewable energy.

Scope 3 emissions: Value chain emissions such as from suppliers, business travel and investments. For many organisations these comprise the largest share of the carbon footprint and often the most difficult to measure and reduce since they are in the control of other parties. Scope 3 examples include emissions related to financial products such as mortgages for banks or emissions related to the supply of fertilisers for an agricultural co-operative.



²⁰ Bank Australia Climate Active Public Disclosure statement www.climateactive.org.au/sites/default/files/2024-O1/Bank%2OAustralia_FY23_Public%2ODisclosure%2OStatement.pdf

²¹ Great Southern Bank Climate Disclosure Report https://www.greatsouthernbank.com.au/__data/assets/pdf_file/0043/493999/Great-Southern-Bank-Climate-related-financial-disclosure-2023.pdf

²² Greenhouse Gas Protocol https://ghgprotocol.org/

Case study: Australian Unity and carbon measurement

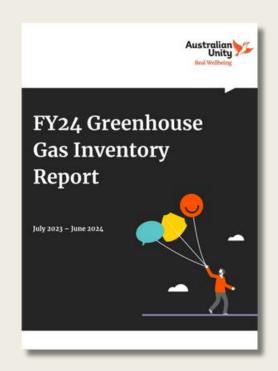


Australian Unity is a national healthcare, financial services and retirement living organisation in Australia. As a mutual organisation operating in the health insurance, home care services, aged care and financial services sectors, the company was an early signatory to the Climate Declaration.

The company has recently completed its first comprehensive assessment of Scope 1 and Scope 2 emissions, which it has publicly disclosed in its FY24 Greenhouse Gas Inventory Report²³.

Australian Unity is also in the process of measuring its Scope 3 emissions, which it sees as a critical next step, particularly in understanding the emissions associated with its supply chain and investment portfolio. Initially, it intends to use the data to help identify hotspots in its supply chain, which it can then explore in more depth.

This process has highlighted to Australian Unity the need for a sensible and repeatable methodology around data capture as well as appropriate governance around emissions accounting. Although it has been an intensive exercise, having gone through it, the group is in a strong position to meet its obligations in FY26.



Making improvements in carbon data collection and validation

Scope 3 emissions provide a particular challenge for co-operatives and mutuals (indeed almost all businesses).

Measurement of Scope 3 is often a challenge due to the source data usually being in the control of other organisations (such as a supplier), as opposed to the one reporting. Scope 3 calculations can also be complex - for example. attributing emissions associated with financial products and investments. Research, frameworks and methodologies are evolving fast in this area and there are options for calculating a full Scope 1, 2 and 3 carbon footprint for most organisations.

BCCM members are recognising the importance of having reliable data as a foundation for their climate action efforts. Some members, like Australian Unity, have already successfully made the business case for investment in metering and carbon accounting systems to improve data management and reporting. Similarly, **People First Bank** has subscribed to cloud-based carbon management software-asa-services to assist with the management and tracking of emission reduction targets.

²³ Australian Unity Greenhouse Gas Report www.australianunity.com.au/-/media/RebrandCorporate/Documents/Annual-Reports/FY24-Greenhouse-Gas-Inventory-Report.pdf

Some finance sector members have found it useful to use Partnership for Carbon Accounting Financials (PCAF)²⁴ toolkits for understanding the impact of their mortgage portfolios - often a significant proportion of Scope 3 emissions.

The majority of People First Bank's Scope 3 emissions come from its residential mortgage portfolio. The bank is currently utilising postcode-level estimations to develop an aggregate view of the emissions of the properties in its portfolio and is looking at future decarbonisation opportunities.

Setting decarbonisation targets

A key element of climate action is committing to reduce emissions of GHGs. Target setting is another area where members are at different stages in their journeys. Whilst all members have some targets, not all are at the stage of setting targets which are aligned with climate science.

As discussed earlier in the report, the UN Paris Agreement sets out the decarbonisation pathway for the world. It is a powerful message to be able to say that an organisation's decarbonisation pathway is in line with the global effort to reach this goal.

The Science Based Targets initiative (SBTi) provides an internationally respected methodology for organisations to set Parisaligned decarbonisation targets aligned with climate science.

Explainer on science-based targets and the SBTi

The Science Based Targets initiative (SBTi)²⁵ is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature, with a global team.

The SBTi provides tools for organisations to set decarbonisation targets as well as reviewing and validating targets themselves.

The SBTi expects that organisations will set ambitious targets, and having these approved by the SBTi shows stakeholders that the organisation is committing to a decarbonisation pathway in line with climate science. It also shows that its measurement and target-setting approach has been verified by a third party.

Signatories using the SBTi approach include Bank Australia and Great Southern Bank. For example, Great Southern Bank has had its nearterm emissions targets (to 2030) validated by SBTi and sees this validation as important for accountability. The bank's targets cover Scope 3 emissions - this is important since Scope 3 emissions make up 95 per cent of its total carbon footprint (particularly those from its mortgage portfolio).

Other members, like P&N Group and RACQ have stated their intention to set future targets in line with SBTi.

Organisations considering this approach can access the SBTi's resources and tools for free without having to commit to validation and verification.



²⁴ Partnership for Carbon Accounting Financial (PCAF): www.carbonaccountingfinancials.com/

²⁵ Science Based Targets tools and guidance www.sciencebasedtargets.org/

Case study: Bank Australia and target setting



Bank Australia is Australia's first customer-owned bank and a certified B Corp.

Bank Australia has an ambitious target to achieve net zero by 2035. The bank's strategy involves customer engagement, setting Parisaligned, science-based climate targets, and addressing both risks and opportunities²⁶.

As part of its climate action strategy, in March 2023 Bank Australia became the first financial institution in Australia to set validated. science-based emissions reduction targets for 2030.

These targets are in line with limiting global warming to 1.5 degrees, which is crucial to avoid the worst impacts of climate change. These apply to the bank's operations, as well as its residential and commercial lending and corporate bond portfolios (financed emissions).

Bank Australia's commitment is to reduce operational Scope 1, 2 and 3 emissions by 42 per cent, residential mortgage loans by 64 per cent per square metre, and commercial real estate loans by 70 per cent per square metre, relative to a 2021 base year.



RACQ has utilised the Insurance Council of Australia (ICA) Climate Change Roadmap²⁷, to set an interim target to transition towards net zero operations by 2020, which mainly includes Scope 1 and 2 emissions. RACQ has also set interim target ranges for the carbon intensity of its corporate bond and listed equities portfolios and has committed to setting interim targets for further Scope 3 categories by 2025.

Hepburn Energy has committed to net zero emissions for the entire Hepburn Shire in Victoria by 2030. Hepburn Energy sees this 2030 net zero target as very challenging, but an important goal it is committed to working towards.

CBH Group has committed to a 50 per cent reduction in Scope 1 and 2 emissions (against a 2021 baseline) by 2030 and to net zero siteto-customer emissions by 2050. To CBH Group, this commitment is a signal to its value chain partners such as grain growers, fertiliser manufacturers and suppliers of machinery that it will support them in achieving their own targets.

²⁶ https://www.bankaust.com.au/about-us/why-us/science-based-targets

²⁷ Insurance Council of Australia - Climate Change Roadmap - www.insurancecouncil.com.au/wpcontent/uploads/2023/11/20950_ICA_Climate-Change-Roadmap_FINAL_2311.pdf

Cautious use of offsetting



Co-operatives and Mutuals Declaration of Climate Action

We will use carbon offsets cautiously and as recommended by climate science and not as a proxy for taking action within our own organisation.

Explainer on carbon offsets

Carbon offsets are a widely used tool to compensate for fossil fuel emissions by funding an equivalent emissions reduction or removals practice elsewhere. For example, a carbon offset may take the form of a company financing a wind turbine generator to displace fossil fuels on the power grid.

A carbon offset may also take the form of removal of carbon from the atmosphere through nature-based or engineered solutions (e.g., reforestation or carbon capture and storage technologies)²⁸.

Some carbon offsetting schemes and the voluntary carbon market in general have been under scrutiny in recent years showing that some of the calculation methodologies are questionable²⁹.

International approaches to decarbonisation have evolved and recognise that offset schemes such as reforestation, wetland restoration and renewable energy projects – although essential elements for fighting the climate crisis - are not directly equivalent to cancelling out the emissions of burning fossil fuels.

This is being reflected through the latest Australian regulations on greenwashing (via the Australian Competition & Consumer Commission) implementing guidance on the use of offsets³⁰ as well as international target-setting frameworks such as SBTi, where carbon removal offsets can only be used for a maximum of 10 per cent of an organisation's GHG emissions.

Several interviewees are using offsets as part of their participation in the Climate Active certification standard³¹ to certify as carbon neutral.

As part of this process, participating organisations submit a Public Disclosure Statement outlining the scope of their certification. Signatories currently participating in Climate Active include Bank Australia, Australian Unity, Great Southern Bank, People First Bank, IMB Bank³² and CBH Group³³. Organisations have, through their statements and reporting, shown recognition of the primary need to reduce GHGs.

²⁸ United Nations Global Compact - Debating Carbon Offsets: The Role of Offsetting In the Transition To Net Zero www.unglobalcompact.org.uk/wp-content/uploads/2021/12/Carbon-offsets-25-Nov.pdf

 $^{^{29}\,\}text{The Problem with Carbon Credits and Offsets Explained www.australiainstitute.org.au/post/carbon-credits-and-offsets-explained/post/carbon-credits-explained/post-$

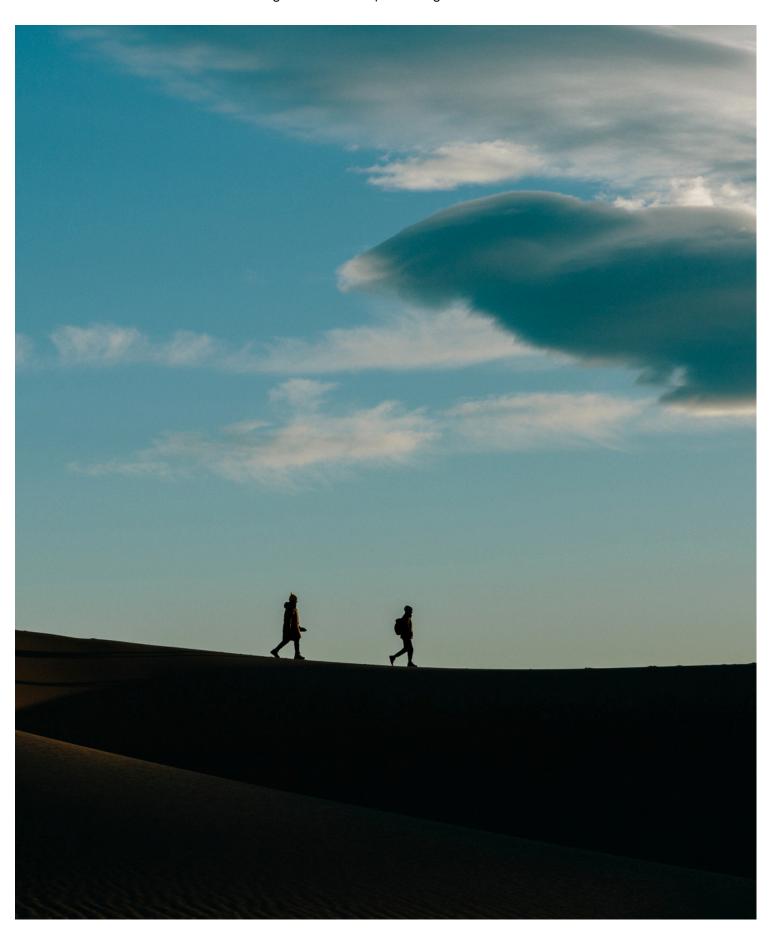
 $^{^{30}} ACCC\ Green\ marketing\ and\ the\ ACCC\ -\ https://www.accc.gov.au/system/files/Green\%20 marketing\%20 and\%20 the\%20 ACCC.pdf$

³¹ Climate Active Certification https://www.climateactive.org.au/

³² Not interviewed

³³ Product specific certification only

A holistic approach to decarbonisation is one which recognises the reality and urgency of climate action – investing in the low carbon transition for its own business including ambitious reductions in GHG emissions as well as offsetting its carbon footprint alongside this.





Reporting on climate action and progress

Co-operatives and Mutuals Declaration of Climate Action We will communicate on our climate progress and the implementation of this declaration to our stakeholders on a regular basis.

Since the Declaration was launched in 2022 there have been some significant steps forward with climate reporting in Australia, including the launch of mandatory climaterelated financial disclosures legislation in September 2024. Mandatory reporting is for financial years beginning on or after 1 January 2025 and will impact many (although not all) co-operatives and mutuals, with differing leadin times depending on the size of the organisation.34

Beyond the mandatory requirement - there are numerous benefits to reporting on climate action - such as showcasing programmes and initiatives and giving assurance to members and other stakeholders that your organisation is making progress.

For those members required to report following ASRS requirements, there are expected to be four pillars of climate-related disclosure, broadly following the approach outlined within the international TCFD framework:35

Governance: How the entity monitors and manages climate-related risks and opportunities that are reasonably expected to affect it.

- Strategy: Understanding the likely impact of climate-related risks on the organisation's business model, value chain, financial position and performance.
- Risk management: The processes used to identify, assess and prioritise climate-related risks and opportunities, including the use of scenario analysis.
- Metrics and Targets: Consideration of metrics for the measurement and management of climate-related risks and opportunities, any targets set, and progress towards those targets.

Many BCCM members have established sustainability and impact reports already including some reporting extensively on climate performance already. Some signatories, like Bank Australia, Australian Unity, Great Southern Bank, P&N Group and RACQ³⁶ already report their emissions via annual corporate, impact and sustainability reports. Others, including People First Bank, IMB Bank and CBH Group provide public disclosures as part of its Climate Active carbon neutral certification.

³⁴ Australia Treasury - Climate Policy Position Statement - https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-policy-state.pdf

³⁵ About Taskforce for Climate-related Financial Disclosures - https://www.fsb-tcfd.org/

 $^{^{36} \} RACQ \ For the \ Greater \ Good \ Report - https://www.racq.com.au/-/media/project/racqgroup/racq/pdf/about-us/annual-reports/fy24-for-the-policy$ greater-good-report-racq.pdf

Case study: RACQ and sustainability reporting



The Royal Automobile Club of Queensland (RACQ) is a mutual organisation in Queensland, providing services including roadside assistance, insurance, banking and travel to its over 1.75 million members.

RACQ reports on its GHG emissions via its For the Greater Good report.37

The report states: "Climate change poses both physical and transitional risks for RACQ Group and our Insurance, Assistance, Bank, and Investment portfolios that is projected to escalate materially over the coming years and decades. However, we also believe taking climate action to mitigate, adapt and be resilient to climate change threats will provide positive commercial and social impact opportunities for RACQ."

The report outlines the club's overarching strategy and targets around climate change and summarises its progress around the categories of people, community, environment and governance.

The report outlines RACQ's progress towards the United Nations Sustainable Development Goals (SDGs), which were adopted in 2015 to promote global sustainability by 2030. These 17 goals, comprising 169 specific targets, are widely used by organisations as a framework for tracking sustainability efforts. RACQ has aligned with nine SDGs and 12 targets, identifying areas where it can make meaningful contributions to sustainability in Queensland.





37 RACQ Greater Good Report FY24 - www.racq.com.au/fy24-for-the-greater-good-report-racq



Maximising wider sustainability benefits from climate action

Co-operatives and Mutuals Declaration of Climate Action Our journey to net zero will maximise wider sustainable development benefits such as protecting nature, improving air-quality and job creation.

Climate action not only addresses the pressing issue of global warming but also generates significant co-benefits for health, economy and social equity. For example, some carbon offsets such as reforestation and wetland restoration can also have additional benefits through creating habitat for wildlife.

Climate action is also an opportunity for innovation and job creation - for example according to the United Nations, every US\$1 million invested in renewables infrastructure or energy efficiency generates 7.49 and 7.72 fulltime jobs respectively. This compares with only 2.65 in fossil-fuel infrastructure.38

There are multiple opportunities for co-operatives and mutuals to lever their member-owned and community led business models to take wider sustainability action with their climate strategies.

Climate action through investments

Members are focusing on making their wider investments count. For example, Great Southern Bank does not directly invest in or have lending exposure relating to fossil fuel extraction or fossil fuel energy production. Bank Australia has clearly stated that it does not lend to fossil fuel industries. Australian Unity has adopted its Principles for Responsible Investment, whilst RACQ has established a Responsible Investment Policy.



38 UNESCO Skills Development for Renewable Energy and Energy Efficient Jobs https://unevoc.unesco.org/pub/solar_energy_demands-discussion_paper1.pdf

Case study: Bank Australia and responsible investment



Bank Australia's Responsible Banking Policy has been instrumental in helping the bank navigate customer expectations around climate action. It focuses on:



- 1. Addressing customer concerns about what the bank was funding. The responsible banking policy allowed the bank to clearly communicate its position.
- 2. Aligning product and lending decisions with customer values by excluding funding for fossil fuels, tobacco and gambling.
- 3. Managing risks and opportunities through a more holistic view of the risks and opportunities associated with its lending activities, beyond just climate change. This helped the bank make more informed strategic decisions.
- 4. Differentiating the brand and helping to attract and retain customers that are seeking a more sustainable financial institution.
- 5. Providing a framework for decision-making and ensuring consistency and clarity in how the bank evaluates the social and environmental impacts of its activities.

'Clean money is our promise to our customers. We avoid using money in ways that cause harm, and aim to use it in ways that have a positive impact on people and the planet.'

Bank Australia 2023 Impact Report

This year, our total impact finance assets grew to \$1.8 billion. This is an increase of \$400 million from 2022 and represents 17% of our total assets.



Climate action through community engagement

BCCM members have different approaches to engaging with their own membership communities around climate action. Some focus on investment and others on direct engagement.

Alongside it's purpose of commercialising native plants like the Kakadu Plum, The North Australian Aborignal Kakadu Plum Alliance (NAAKPA) faces the challenge of protecting traditional Aboriginal knowledge, generally referred to as Indigenous Cultural Intellectual Property (ICIP).

This requires careful management to ensure fair

benefit-sharing agreements between members and sustainable use of natural resources.

Other organisations have indicated gaining consensus from members can be challenging with some signatories facing resistance from members not well aligned with their climate goals.

Gaining consensus within NAAKPA amongst member organisations can involve different language, cultural, clan and family interests. Cultural connections to country and specific resources through totems and skin names are also important, and while some groups may favour commercialising specific natural resources, other groups may oppose it.

Case study: Hepburn Energy and community engagement

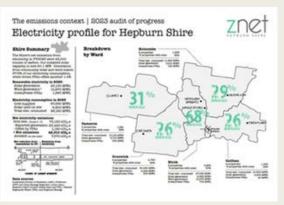


Hepburn Energy is a member-owned co-operative and Australia's first community owned wind farm, now working towards solar and battery. Hepburn Energy has just under 2000 members and focuses on community development and climate change adaptation.

Hepburn Energy support has influenced its local government stakeholder, Hepburn Shire Council to declare a climate emergency, subsequently co-funding and collaborating with Hepburn Energy on developing a zero net emissions master plan for the entire shire. This includes calculating an emissions footprint for the whole shire every year and carrying out annual electricity audits to track progress towards 100 per cent renewable and zero net energy for the shire.

Hepburn Energy and the council also work together on various community programs and projects, such as bulk buying schemes for electric vehicles, heat pumps, solar and batteries, as well as an EV charging network owned by Hepburn Energy on council property. This close partnership and collaboration has supported climate action and emissions reduction efforts across the entire shire, going beyond just Hepburn Energy's own operations.





Case study: Great Southern Bank and community engagement



Great Southern Bank is one of Australia's largest customer-owned banks and a certified B Corp. The bank's mission is to help Australians own their homes by providing access to affordable finance. Great Southern Bank is dedicated to more than just financial success and believes that businesses should be a force for good.

Great Southern Bank has partnered with Mission Australia, one of the largest community housing providers in Australia, to help make their housing facilities more renewable and energy efficient. The bank has committed to a three-year program to upgrade 10 properties owned by Mission Australia, with the goal of reducing emissions and saving tenants around \$500 per year on their energy bills.

This is an opportunity to educate the bank's own employees as well, by showing them the tangible impacts of renewable energy upgrades on vulnerable communities.

The bank views this work as an example of how its climate action can deliver wider sustainable development benefits, in line with the principles of the Climate Action Declaration, and is considering opportunities to expand this program.



The bank sees this as part of its community investment and social impact work, contributing to financial inclusion and climate action. Beyond the physical upgrades, the bank is also working with Mission Australia to develop an energy literacy program for the tenants living in the upgraded properties.



Developing greener products and services

The opportunities posed by the transition to a low carbon economy are generating significant opportunities for BCCM members. For example:

- Bank Australia recognises the importance of providing an alternative for customers who want to switch to a bank that aligns with their values. It has developed mortgage products including a Clean Energy Home Loan and is ceasing car loans to fossil fuel based cars by 2025.
- Hepburn Energy has partnered with retailer Flow Power to offer competitive electricity products that benefit members and the Shire's transition.
- Australian Unity is exploring innovative products and services related to climate and sustainability, including having executed a sustainability-linked loan with Westpac Banking Corp, and is still in the early stages of integrating environmental considerations into its offerings.
- · People First Bank and RACQ offer green car loans and RACQ has a solar company to support members in upgrading their solar systems for EV charging.

Case study: CBH and climaterelated products



CBH Group is Australia's largest co-operative, operating across the grain industry value chain.

There has been increased demand for CBH's sustainable-certified products like its International Sustainability and Carbon Certification (ISCC) certified wheat - this is particularly true in export markets with strong climate policy such as the European Union.



ISCC is an independent multi-stakeholder initiative and certification system supporting sustainable, fully traceable, deforestation-free and climate-friendly supply chains. It is one of the world's largest sustainability certification programs and covers a range of food, feed, energy and industrial products and the 'preferred sustainability certification' for nearly half of all CBH customers.



CBH currently holds certification for both the ISCC EU (EU biofuels) and ISCC PLUS (global food, feed, bio-based products and energy, and non-EU biofuels) programs, covering canola, barley, oats, wheat and lupin.

The CBH Group became the first grain marketer in Australia to achieve carbonneutral certification for a product under the Federal Government's Climate Active program. A trial was carried out in 2023 to certify 10,000 tonnes of malt barley intended to produce 200 million bottles of beer³⁹.

CBH is exploring further opportunities for developing further low-carbon grain products. Its target is for 25 per cent of total (9Mt) sales to be sustainable – it is currently around 14 per cent.



39 CBH Climate Active Certification - www.climateactive.org.au/sites/default/files/2023-06/CBH%20Group_PDS.pdf

Developing supporting governance

Co-operatives and Mutuals Declaration of Climate Action We will establish supporting governance for the journey to net zero including ensuring the response to the climate crisis is reflected in different areas / functions of our organisation.

Member organisations are increasingly aligning their business strategies with climate goals, using structured ESG approaches to drive focus and action. Several of the signatories reported that climate action is becoming more important as a strategic issue and climate is being discussed at a senior level (including among the Board - e.g., as part of corporate risk management). The upcoming legislation on climate disclosures reinforces this with a whole section on organisational governance for climate.

Making decisions around climate and ESG requires a holistic approach. Australian Unity emphasised that ESG decisions should not focus solely on climate but integrate broader environmental, social and governance considerations. Bank Australia echoed this view, highlighting the importance of connecting sustainability with financial decisions and ensuring that efforts are aligned across the entire organisation. CBH Group noted that balancing sustainability with operational priorities, such as customer demands and farming realities, is a complex challenge, requiring careful consideration of value propositions.

Organisations that come under the Australian mandatory climate reporting framework will need to ensure their governance structures include appropriate expertise to develop and implement climate strategy, identify and understand climate-related risks, data and disclosure requirements and manage changes to systems, processes and data verification.

In 2022, P&N Group conducted a materiality assessment by surveying customers and employees, revealing climate change as an area of concern.

This led to the development of a structured ESG strategy, providing focus for the bank's climate actions.

Following the launch of the strategy, the bank began tracking employee engagement in sustainability, seeing a modest growth from 58 per cent in FY23 to 66 per cent in FY24, reflecting the growing alignment with climate goals.

Climate literacy within organisational leadership has proven essential for successful climate action strategies. P&N Group attributes much of its climate progress to having a Board and executive team that understand short, medium and longterm impacts of climate change on the bank, and are focused on supporting climate-action activities within their sphere of influence.

CBH Group noted challenges in finding employees with the right skills for climate-related tasks, highlighting the need for more in-house expertise.

At the employee level, P&N Group has focused on building climate awareness through initiatives like "lunch and learn" education sessions, uniform swaps and through their staff-led Sustainability Action Group in an effort to engage all employees. These sessions have been successful, generating high levels of interest and engagement, with staff discussions ranging from sustainability to practical topics like worm farms. P&N Group believe that its people present a great opportunity to accelerate climate action.

Gaining value from co-operation and collaboration

Co-operatives and Mutuals Declaration of Climate Action In line with Principle 6 of the International Cooperative Principles – "Cooperation among Cooperatives" – we will collaborate with other organisations across the BCCM family from multiple sectors, to share practices and learnings as well as explore new opportunities from the low carbon transition.

Several interviewees shared that they found mutual learning through organisations such as the BCCM particularly invaluable, as well as other networks within their individual sectors. This peer-to-peer exchange was seen as invaluable as co-operatives and mutuals navigate the evolving climate landscape.

Members highlighted the importance of collaboration, both within the co-operative and mutual sector and with other sector-based groups. The BCCM has offered a Community of Practice in ESG for the last three years. which provides a forum for co-learning⁴⁰.

In addition, via the BCCM many members are engaging in climate discussions through more sector-focused groups such as COBA (banking members) and ICA (insurers). Members have reported value in learning from others' experiences to shape their climate action strategies.

CBH Group found its co-operative model instrumental in responding to climate change by collaborating with diverse growers and aligning with changing customer demands. People First Bank emphasised the need for partnerships to develop customer-focused products, such as housing adaptation loans.

Democratic decision making

Co-operatives and mutuals operate democratically, allowing them to tailor initiatives that fit their specific social and governance contexts. CBH Group highlighted the value of including growers on its board and advisory council to shape sustainability efforts. People First Bank identified the strong internal support (70 per cent of staff) for its ESG commitments, showing an opportunity for further growth. Hepburn Energy and Bank Australia also recognised the benefits of staff engagement in driving these commitments forward.

NAAKPA's structure reflects its unique opportunity to embrace the complex social and cultural dynamics in remote First Nations communities. By balancing traditional practices, like wild harvesting, with modern commercial needs, these organisations can both respect cultural heritage and meet market demands. NAAKPA also faces unique challenges due to its structure, which involves navigating sensitive cultural and social issues. Land ownership, resource management and socio-economic circumstances contribute to community tension, and present hurdles that other co-operatives may not experience as acutely. Successfully commercialising traditional practices within a modern business framework requires careful planning and respect for cultural values.

⁴⁰ BCCM ESG Community of Practice - bccm.coop/about/key-projects/esg-sustainability/bccm-esg-mutualbusiness-program-2024-25/

Member-owned model

The member-owned model strengthens alignment between organisations and their communities, fostering shared values around climate action. For example, Australian Unity benefits from its members' recognition of climate risks, encouraging innovative solutions. P&N Group sees its mutual structure as an opportunity to adopt a long-term perspective, generating lasting value for customers. Hepburn **Energy** actively engages with the local community through partnerships, projects and its Impact Fund, as well as hosting tours and events at its energy park.



Case study: NAAKPA climate smart agricultural practices



The Northern Australia Aboriginal Kakadu Plum Alliance (NAAKPA) is a non-distributing co-operative of Aboriginal enterprises ethically harvesting and processing Kakadu plum for the Australian market and overseas.

Alongside its purpose of commercialising native plants like the Kakadu plum, NAAKPA faces the challenge of protecting traditional Aboriginal knowledge. This requires careful management to ensure fair benefit-sharing agreements between members and sustainable use of these resources.



NAAKPA's members include small family groups and Aboriginal corporations. Its capacity-building efforts focus on educating members on sustainable harvesting methods, quality assurance, food safety and regulatory requirements. These initiatives aim to equip harvesters with the skills needed to protect traditional knowledge and ensure the sustainability of native plant resources, particularly in complex areas like insect identification for monitoring environmental impacts. Its efforts also focus outwards, sharing its communities' knowledge around the climate-smart nature of wild harvesting.

NAAKPA is **lobbying** the Australian government to recognise Aboriginal wild harvest practices as a legitimate and important part of mainstream food production in Australia to access mainstream



agricultural funding and support. NAAKPA particularly recognises the inherent climate-related aspects of Aboriginal wildharvest practices, which include the need for biodiverse environments to support polyculture food production as opposed to monoculture production systems.

Traditional wild harvest methods utilise local landscapes, use less water resources, contribute to reducing carbon emissions and promote sustainable land use, leading to reduced environmental degradation caused by salinity and soil erosion.

Wild harvesting relies on local biodiverse environments. Unlike large-scale monoculture farming, it allows ecosystems to thrive, supporting a range of plants, insects and animals, generating unique biomes. Supporting wild harvest means safeguarding Australia's unique flora and fauna.

The practice also fosters vital economic, leadership and food sovereignty roles within Aboriginal Australian communities.

In summary

Committing to climate action

The BCCM Climate Action Declaration is already playing a vital role in helping to build consensus among its diverse membership on the appropriate level of climate ambition and action. The collaborative nature of the BCCM membership lends itself to finding value in accelerating its climate initiatives and supporting broader sectoral transition across Australia.

Signing the Co-operatives and Mutuals Climate Action Declaration provides a useful framework both to meet these obligations and, for those not yet committed, to begin your climate action journey.

We have outlined below some opportunities for members to further strengthen activity in this space.



Carrying out a full carbon footprint in line with the Greenhouse Gas Protocol across Scopes 1, 2 and 3.

Developing decarbonisation targets aligned with the UN Paris Agreement, using the Science Based Targets initiative framework.





Developing a decarbonisation plan (or roadmap) to support the low-carbon transition and ensuring your organisation identifies climate opportunities as well as risks.

Carrying out a gap analysis against reporting standards.





Embedding a climate-focused governance structure including supporting climate skills training - for board, senior managers and staff - and identifying resource and expertise gaps.

Sharing best practice and fostering collaboration with other BCCM members and allied groups through networks, communities of practice and other initiatives.



What is the BCCM doing to support co-operatives and mutuals in climate action and ESG initiatives?

The BCCM provides a forum to harness the power of Australian co-operatives and mutuals to accelerate climate ambition, action and accountability across multiple sectors. The inherently collaborative nature of the co-operative and mutual sector provides a special opportunity to build networks, amplifying the potential of the sector to achieve its climate ambitions.

Aside from the Climate Action Declaration, other projects we have developed include:

The BCCM ESG Community of Practice (Mutual Business Program)

The program focuses on environmental, social and governance issues from the unique perspective of co-operatives and mutuals. It brings co-operatives and mutuals up to date with the current and near-future ESG impacts and regulation, via six expert-led workshops and flexible and demand-driven access to the Sustainability Strategy for Co-operatives and Mutuals Training Program.

Sustainability Strategy for Co-operatives and Mutuals training program

The course is an internationally accredited training program to assist co-operatives and mutuals to develop effective sustainability strategies responding to compliance pressures, consumer and market demands and to the net zero imperative.

The training program consists of a series of recorded lectures and self-directed learning together with live, tutor-led workshops across three modules: Foundations, Action and Transformation.

Participants will have to develop an actionable plan to protect their members and build value and resilience for the future.



