



ESG in the public sector

Transitioning to a
sustainable future



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TOWARDS A SUSTAINABLE FUTURE

In September 2022, the Australian Government passed the [Climate Change Bill](#) to enshrine in legislation our nation's commitment to achieving net zero carbon emissions by 2050.

The new law comes after almost a decade of discussions surrounding climate risk, and increasing demand from the public for more concrete action. It's a move that aligns with shifting global sentiment around sustainability, and similar international initiatives that aim to address current and emerging environmental and social challenges impacting humanity.

In light of this shift, several frameworks have been put forward by leading institutions to help guide the development of such initiatives. ESG (environmental, social and governance) is perhaps the most renowned and widely accepted framework, particularly due to its universal applicability.

While the concept of sustainability can be very broad, ESG provides a relatively straightforward roadmap for benchmarking individual and collective practice against specific objectives.

With the net-zero target now set in stone, both industry and government are actively looking to frameworks such as ESG to guide their transition to sustainable environmental, social and governance practices.



The public sector:

Setting the standard for Australia

As industry seeks to navigate this evolving paradigm, many have been quick to promote adherence with ESG ideals to keep pace with changing consumer and taxpayer sentiment.

This includes adopting new ESG-aligned measures, such as:

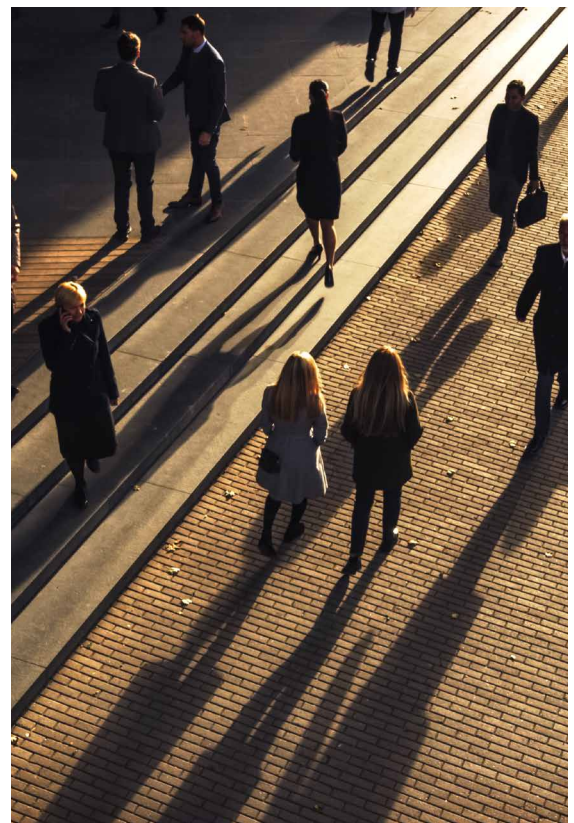
- better recycling and waste practices
- reduced reliance on fuel or plastics
- reduced energy usage
- purchasing carbon offsets
- changes to supplier policies
- diversity and inclusion targets
- greater transparency in reporting

For smaller organisations, implementing these changes can be reasonably simple given their agility. But for larger corporations – and especially for the public service – overhauling deeply entrenched practices is understandably more complex.

This is likely why recent efforts have focussed more on preparing for change rather than change implementation. Success will ultimately require thoughtful planning, with special attention paid to risk mitigation and well-considered strategies that enable long term success.

That isn't to say there aren't quick wins to be gained – and this is particularly pertinent given the speed at which the landscape is changing. Mounting pressure requires the public service to step up now; setting the standard for sustainable practices at federal, state and local levels.

With the federal government already releasing its strategy for adaptation, the onus will be on individual departments and state-based agencies to make sustainability and ESG a priority within their agendas.



Alignment from a national to a local level

The [National Climate Resilience and Adaptation Strategy 2021–2025](#) is designed to support governments, communities and businesses to better adapt, recognising that adaptation is a shared responsibility that requires sustained and ongoing action.



In 2021, the Department of Climate Change, Energy, the Environment and Water released the National Climate Resilience and Adaptation Strategy 2021–2025. This reinforces Australia’s commitment to meeting global sustainability goals, and to ensuring economic prosperity, environmental protection, and health and wellbeing within our communities.

Its purpose is to drive a coordinated effort and establish “an ongoing cycle of national assessments, targeted action, monitoring and review, to support learning and strengthen our national adaptation response over time in line with our commitments under the Paris Agreement.”

Following the release of the strategy, we’ve seen the emergence of similar strategies at state and local levels. For example, the [Western Australian Climate Change Policy](#) details the practical actions the state government is taking to enhance climate resilience and support the low carbon transition.

The [NSW Climate Change Adaptation Strategy](#) provides a state-based framework to strengthen and expand action to adapt to climate change now and in the long term. The [City of Sydney Environmental Strategy 2021–2025](#) outlines measures being taken to improve sustainability and resiliency in Sydney.

These are also supported by departmental strategies – from the likes of Services Australia at a federal level to transport authorities at a state level – which outline the specific measures these departments will take to support the achievement of net-zero by 2050. Some of these measures include:

- low carbon transport
- renewable energies
- biodiversity protection
- reuse and recycling
- responsible procurement



While this is a commendable step forward, the practicality of delivering to these strategies is a whole other playing field. Depending on the maturity of the organisation when benchmarked against ESG standards, much may be needed to close the gap between aspiration and achievement.



From plans to actions

Voluntary reporting on sustainability efforts has existed for some time in the public service, generally within annual reports containing a high level overview of new innovations or programs of work.

In recent years, we've seen stronger direction from both state and federal agencies – such as the amended Commonwealth Risk Policy which now requires all federal government departments to consider climate risk and resilience in their forward planning activities. This was complemented by the development of [Climate Compass](#): a risk management framework designed to help public servants manage climate change risks to policies, programs, and asset management.

Now with the Climate Change Bill in place, we're likely to see an increase in new policies and potential mandatory (and auditable) reporting. This will especially apply to departments that receive funding to support readiness programs, or are tasked with delivering on state and federal initiatives for carbon reduction, environmental protection, and so on.

Given the scrutiny attached to such reporting, data quality will be absolutely imperative. The effective capture, collation, and analysis of data is one of the most important aspects of ESG planning – yet unfortunately, it's often the most overlooked.

Digital transformation and data play a key role at every stage of the ESG journey; from current state analysis to target development, monitoring, and reporting. Let's take a brief look at the different areas of ESG and the criticality of effective data management in enabling public sector preparedness.





ENVIRONMENTAL

A great deal of the current focus on sustainability efforts surrounds environmental initiatives such as carbon reduction, renewable energies, water conservation, tree replanting, waste management, and resource use.

Early risk assessments will help government departments understand their environmental footprint and how to reduce it. This includes measuring carbon emissions to set appropriate targets for carbon reduction or neutrality – remembering that what cannot be reduced can be offset through carbon credits.

The capture of relevant and trusted data sits at the heart of tracking these emission reduction efforts and any other environmental initiatives.

Depending on the sector in which a government department operates, the need to invest in fit-for-purpose systems to enable this data capture grows by the day. The [International Sustainability Standards Board](#) was established in 2021 and is moving swiftly to set and enforce global sustainability standards. A call to mandate carbon footprint reporting could be just around the corner, making now the ideal time to:

- assess risk
- determine a plan of action
- implement or upgrade processes and systems
- take action and start monitoring performance



SOCIAL

Most Australian Government departments are already familiar with reporting on social KPIs such as gender balance, indigenous inclusion, and workplace flexibility.

As ESG evolves, we'll potentially see new requirements added in areas such as wellbeing, data safety, ethical supply chains, and more.

It's also important to consider the future need to cross-analyse data between environmental and social initiatives. A good example of this is the development of public housing along freeways, and the potential increase in respiratory illnesses in residents. Quality data not only supports informed decision making, but helps ensure balance between social and environmental aspects.



GOVERNANCE

Commonwealth entities are currently required to follow the Public Governance, Performance and Accountability Act 2013 (the PGPA Act) as a system of governance and accountability for public resources. Local and state governments usually have their own systems, though these are unlikely to encompass the broad range of governance considerations now being put forward as part of ESG.

Ultimately, effective governance reporting will come down to the efficacy of systems and processes. For departments that manage multiple portfolios or large-scale projects, a systemised and potentially templated approach to key governance areas (such as procurement) is essential to mitigating risk and inspiring confidence for public reporting.



SYDNEY OPERA HOUSE

A CASE STUDY

Located in our beautiful Sydney Harbour, the Sydney Opera House is a cherished Australian icon and world heritage listed site.

As a building that captures the hearts and minds of people all over the world, leadership at the Sydney Opera House has long been invested in leading the way in environmental and social responsibility.

The Opera House achieved Carbon Neutral status via Climate Active Certification in 2018, and entered a renewable Power Purchase Agreement (which at the time was industry leading). It also has a 5-star rating from the Green Building Council, equivalent to Australian Excellence in Sustainability and is currently working towards a 6-star (performance tool) rating – the highest possible rating and equivalent to world leadership in sustainability.

Emma Bombonato, Environmental Sustainability Manager for the Sydney Opera House, says their actions are guided by a detailed Environmental Action Plan (EAP). The Opera House's fourth EAP is a four-year plan that sits in a nest with other valuable community programs centred around social sustainability.

"Our community plans direct our approach to diversity, inclusion and belonging, reconciliation, accessibility, and heritage. Together, they demonstrate the integrated nature of environmental and social, and ensure we're always looking to consider sustainability holistically.

"Each plan has evolved in response to staff, stakeholder and community expectation and need. Our plans align with the United Nations Global Goals and support the Opera House mission to inspire and strengthen the community."

Since joining the Sydney Opera House, Emma has been privileged to work on many exciting initiatives which have had a measurable positive impact.

"We're always looking to push the envelope in terms of what's possible for a 50-year-old building. I've been able to work on many great projects from energy efficiency to waste management.

"One project slightly different to my usual day job involved a collaboration with the University of Technology (UTS) marine ecologists. Supported by a NSW Environmental Trust Grant, the Opera House collaborated with UTS to design and install artificial reef pods along the sea wall of the Opera House. Over three years since installation, it has resulted in an additional 8 species of fish; even providing a safe haven for an endangered seahorse species: White's seahorse.

"It's our responsibility to reduce our environmental impact and to lead by example and contribute in a positive way to our environment and community. Projects such as the artificial reef allow us to raise awareness about important issues like single use plastic and its impact on the marine environment. We can tell these stories creatively, for example via our Children and Families programming. We hope that we can inspire others to connect with nature, and understand what they can do personally to help contribute to a more sustainable world."

Kim Bluett, Head of Enterprise Risk and Program Management at the Sydney Opera House, says their future focus is to lead the way for other state government organisations, cultural institutions, and heritage listed sites.



Right: Sydney Opera House's Sustainability Champions (SEALs) participating in Clean Up Australia Day (as part of Environmental Action Plan commitments)



“We want to be at the forefront in responding to bigger trends across renewables, climate action and resilience, and social responsibility. The key is to maximise the intersection and collaboration across each plan so we maintain a single focus to achieve the best possible outcomes all round.”

For other public sector organisations that are starting to plan for ESG, Emma and Kim say the best place to start is by understanding your impact.

“Start with understanding your impact – by measuring the basics such as energy, water and waste,” says Emma. “It’s important to understand what is important in your business or operation. It will help you get a sense of materiality and where the opportunities are to improve and make an impact.”

“This could be upgrading infrastructure, plant and equipment to improve energy efficiency, evaluating use of materials in your supply, or assessing the level of engagement in your organisation.”

“It’s essential to have leadership support early on, as this is key to establishing and embedding a culture of sustainability throughout your organisation.”

“You also have to be willing to jump in and give something a go,” explains Kim. “We ensure we are part of many external networks outside our organisation who are working towards similar goals and objectives. We participate in pilot projects, seek out funding and grant opportunities, and collaborate with others who are leading in this space. There are great networks and resources available which are fundamental to long term success.”



A practical guide to getting started

The road to ESG best practice needn't be overly complex, but it will require collective effort to achieve. It will also need to be tailored to each individual department, based on their level of government and the sector they operate in. As a starting point, here are three simple and practical steps that departments can take now to start their journey.

RISK ANALYSIS

- Assess current practices against best practice
- Understand the impact of climate change risks on key programs and major projects
- Identify the material sources of carbon and waste for your agency
- Identify applicable policies or guidelines
- Discover opportunities for improvement

MATURITY ASSESSMENT

- Conduct a gap analysis on current versus ideal state
- Assess the suitability of existing digital and data systems
- Identify low hanging fruit for quick wins
- Develop a change management plan

ESG SCORECARD

- Document goals
- Develop an ESG scorecard
- Monitor and measure performance

Small local councils can usually complete these steps with regard to their entire organisation. For larger state or federal government departments, it's preferable to start with a few select business units. This allows lessons learned to be carried over, and minimises disruption to BAU as ESG initiatives are rolled out across the business.

Ultimately, the rewards will far outweigh the effort required to bring your department in line with anticipated ESG changes. Some of these rewards include the following:

Readiness for new policies

Advanced reporting capabilities

Effective data management

Assurance for leadership

Public confidence

Investor confidence in government bonds

In addition, improving ESG readiness can have a definite impact on industry relationships – demonstrating that the public sector is leading by example, and streamlining decision making when onboarding suppliers based on alignment with defined ESG values.

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