



GUIDANCE FOR BUSINESSES

To help reduce climate and disaster risk

BUSINESSES ARE INCREASINGLY AWARE OF THE NEED TO REDUCE THEIR VULNERABILITY TO CLIMATE AND DISASTER RISKS AND TO ENGAGE WITH THEIR STAKEHOLDERS ON THESE ACTIONS. BY ADDRESSING THOSE RISKS BUSINESSES ARE CREATING AND REALISING VALUE.

The Australian Government's National Disaster Risk Reduction Framework (NDRRF) and the Guidance for Strategic Decisions on Climate and Disaster Risk (Guidance) can help guide businesses to reduce their risks.

The **NDRRF** recommends that organisations take a significantly more iterative, adaptive and whole of system approach to managing risks to their performance, and stakeholders. The NDRRF sets the five-year foundation to 2023 to address systemic disaster risk in all sectors against four priorities: understand disaster risk; accountable decisions; enhanced investment; and governance, ownership and responsibility.

It complements international initiatives such as the Sendai Framework for Disaster Risk Reduction, the 2030 Agenda and the Paris Agreement on climate change.

The **Guidance** puts the NDRRF into practice, offering tools and approaches to set responsibilities and strategies, convene discussions and workshops, and make decisions to mitigate risks and exploit opportunities. These actions can then form the basis for corporate reporting under the Taskforce on Climate related Financial Disclosures (TCFD), the International Integrated Reporting Framework (IIR) and other initiatives.

This introductory document sets out the intent of the NDRRF and the practical tools of the Guidance, in a form that businesses can readily access and share, to commence deeper conversations to reduce climate and disaster risk.

Links in this document are to sections of the Guidance, e.g. 04.4 Scenario Analysis links to Guidance 04 Section 4.



Australian Government
Department of Home Affairs

REDUCE SYSTEMIC RISK AND STRENGTHEN COMMUNITY RESILIENCE

PRIORITY 1: Understand disaster risk

UNDERSTAND WHOLE OF SYSTEM VULNERABILITY AND RISK

A PROACTIVE FOCUS ...

Businesses have always prepared well to respond to threats from clear and proximate natural hazards. Now, a changing climate and COVID remind them of the need to consider how they and their communities may be vulnerable to both known and unforeseen risks. This means considering the cascading impacts of single or multiple natural hazards across highly interconnected social, infrastructural, and technological systems.

Guidance 03 Vulnerability analysis provides insights on identifying root causes and key points of failure and possible interventions.

Guidance 03.4 Systems thinking recognises that we are a part of the dynamic systems that we seek to understand and influence, and so need tools and approaches to work through the complex relationships within and between those systems.

THROUGH THE WHOLE VALUE CHAIN ...

The focus is now on all of a business's markets, people and assets, supply chains and distribution networks, not just specific physical assets. This means understanding how businesses interact with broader social, physical and natural systems.

Guidance 04 Scenario analysis explores different extreme events, their potential to cause disasters and possible responses. A scenarios based approach can reduce vulnerabilities by developing strategic plans that are sensitive to the uncertainties and potential for large change.

PRIORITY 2: Accountable decisions

ALIGN GOVERNANCE AND RISK MANAGEMENT

WITH CLEAR ROLES AND GOVERNANCE ...

Boards and management are responsible for overseeing, assessing and managing climate related risks and opportunities, and so need clear organisational roles, processes and accountabilities.

As those risks and opportunities are systemic, working with public and non profit agencies can meld a collective responsibility – sharing information and taking effective action – as sought by the Sendai Framework and the TCFD.

Guidance 02.3 Navigating governance constraints helps diagnose and overcome the barriers to governing across multiple organisations and so co develop agendas.

Guidance 02.4 Responsibility mapping assigns roles to those who can prevent risks arising or who need to disclose their risks, rather than those seeking to transfer them.

AND WHOLE OF SYSTEM RISK ASSESSMENTS.

A business's risk management processes would see it identify, assess and manage climate and disaster risks, as well as the forces that influence those risks – socio economic, financial, cultural, organisational, material (infrastructural and technological) and regulatory.

Guidance 02.6 Risk assessments use "whole of system" assessments that go beyond traditional "likelihood x consequence" approaches, better suited to systems where risks are uncertain or unfamiliar, cascade between sectors, with potentially catastrophic consequences.



PRIORITY 3: Enhanced investment

MAKE BETTER DECISIONS AND INVESTMENTS

COLLABORATIVE DECISIONS ...

Business decisions to reduce climate and disaster risks will be more effective if they have community support, including in setting goals and objectives. It may also require collaboration with other organisations that are not usually partners (and may indeed be competitors). A range of tools can help businesses understand the values, rules and knowledge that guide their own choices, as well as their communities'.

Guidance 03.2 Deconstructing Disaster is a two day experiential workshop that brings the realities of disaster to life, to reveal the underlying causes of vulnerability and identify potential interventions and partnerships to mitigate them.

Guidance 03.5 Values analyses reveal the values, rules and knowledge that can cause vulnerabilities and may guide human responses to mitigate them.

MADE UNDER UNCERTAINTY ...

Decisions must be made despite the unprecedented magnitude and uncertainty of natural hazards under climate change; the rapid change in material, technology and socioeconomic development; the ambiguity of community objectives; and the difficulty of measuring and comparing outcomes.

Guidance 04.2 Decisions and Uncertainty helps assess and align the performance and time horizon of a decision with the degree of uncertainty and change over that period.

PRIORITY 4: Governance, ownership and responsibility

REDUCE RISK AND STRENGTHEN COMMUNITIES

STRENGTHEN BUSINESSES AND THEIR COMMUNITIES

Decisions may reduce vulnerability (by reducing risks to business and community systems) as well as build resilience (by creating or capitalising on opportunities to add value to those systems).

Measuring the value of these actions must go beyond narrow cost benefit analyses, to incorporate both vulnerability and resilience under different scenarios of change.

Guidance 05.4 Prioritisations help evaluate market and non market outcomes of interventions that may reduce the causes of vulnerability or create benefits across the whole system.

Guidance 05.5 Alternative funding can expand the amount of funding that might be available through generating pathways to create value and public private partnerships.

WHETHER DISASTERS HAPPEN OR NOT.

Businesses can use scenario analysis to identify the trade offs needed in a complex, uncertain and changing world, and to identify options likely to be valuable when one, several or even no disasters occur.

Guidance 04 Scenario analysis explores different extreme events, their potential to cause disasters and possible responses. A scenarios based approach can reduce vulnerabilities by developing strategic plans that are sensitive to the uncertainties and potential for large change.

GUIDANCE FOR STRATEGIC DECISIONS ON CLIMATE AND DISASTER RISK RESILIENCE INTO THE FUTURE

The Guidance supports businesses to take an iterative, adaptive yet practical approach to reduce systemic risks to their business and strengthen community resilience.

For further assistance, see:

- **The Guidance for Strategic Decisions on Climate and Disaster Risk**
- 03.6 Learning into the Future , to guide learning and the means to adapt your decisions and actions quickly
- **05.7 National case studies** that share experiences and increase confidence in risk reduction actions
- The **Task Force on Climate related Financial Disclosures**
- **The 2030 Agenda** for Sustainable Development
- The **Integrated Reporting** Framework
- The Department of Home Affairs website, with further case studies, guidance, action plans, frameworks and policies, relevant both generally and for specific sectors and communities, and
- The Australian Institute for Disaster Resilience (AIDR) and the **AIDR Knowledge Hub** , including the AIDR Community Engagement for Disaster Resilience Handbook (being updated in 2020)
- **Department of Home Affairs** and **CSIRO** who can help identify experts able to assist in any of these areas.

DISASTER RISK REDUCTION FOR AUSTRALIA

Sendal Framework for Disaster Risk Reduction

The global blueprint

Paris Agreement

Strengthening the global response to climate change

Sustainable Development Goals

The 2030 Agenda for sustainable development

Profiling Australia's Vulnerability

Our interconnected disaster risks

National Disaster Risk Reduction Framework

A coordinated approach for Australia

National Action Plans

Spanning all sectors and governments

Guidance for Strategic Decisions on Climate and Disaster Risk

To support systemic planning and action

Australian Business Roundtable

Spanning all sectors

Australian Sustainable Finance Initiative

For finance and investment decisions

Business Resilience Plans

By our public, private and non-profit sectors

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