

Climate Action Aotearoa

The Funders Commitment
on Climate Action.

Funders Commitment Inaugural Report 2023



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| Introduction

Philanthropy has a key role in accelerating an equitable transition to a low carbon society. **The Funders Commitment** was established to support philanthropic climate action in Aotearoa New Zealand. Fourteen funders are now signed up to the Funders Commitment, including eleven Community Trusts. Any philanthropic funder can sign up for the commitment.

This report shares signatories' progress on climate thinking and action from May 2022 to May 2023, and their challenges and opportunities. It provides comprehensive recommendations to signatories for short and longer-term action.

| Approach

All signatories to the Funders Commitment were invited to complete an online survey, focusing on quantitative measures of climate action progression, which were drawn from a 2022 baseline survey. Ten of the signatories who responded to the survey were Community Trusts and one signatory was not. At the time of the interviews there were 14 signatories, three did not take part in the survey and interviews. Four respondents are based in Te Waipounamu (South Island), whilst seven are in Te Ika-a-Māui (North Island).

Each in-depth interview was held with the Chief Executive, staff and/or trustees. Those interviewed were:

1. Trust Waikato
2. Rātā Foundation
3. Bay Trust
4. Wellington Community Fund
5. Eastern and Central Community Trust
6. Community Trust South
7. Community Trust of Mid and South Canterbury
8. Otago Community Trust
9. Foundation North
10. Toi Foundation
11. The Gift Trust



Key findings

Summary of signatory progress from 2022 and 2023

In April 2022 and March/April 2023, the signatories of the Funder's Commitment were sent a survey exploring where they are on their climate action journey. These surveys help to gauge self-reported progress over time and indicate where the Climate Action Working Group can provide support and focus its efforts. All survey responses were self-graded with the scores 1-5, where:

- 1 = very low
- 2 = low
- 3 = developing
- 4 = good
- 5 = high

Figure 1 below shows that signatories have made progress across all dimensions.

Figure 1: Comparison of average rating 2022 to 2023



It was noted that signatories are growing their capability to monitor and measure their awareness and impact. Performance monitoring is traditionally focused on collecting and tracking basic datasets that describe the extent to which grant making and other non-financial activities have been delivered with alignment to strategy. In order to understand ongoing climate action impact, signatories are likely to begin to invest in evaluation that goes beyond the evaluation described above. The sector is still in the early stages of reviewing what climate-action impact truly looks like.



General awareness and understanding of climate change issues has increased between 2022 and 2023. In 2023, 59% of signatories rated their organisation’s overall awareness as ‘good’, and 23% rated their overall awareness as ‘high’. While in 2022, 45% rated their overall awareness as only ‘developing’, 45% as ‘good’ and none rated their overall awareness as ‘high’.



In 2023, we see an increase of signatories (77%) rating their **willingness to commit and share resources on climate change** as ‘high’, compared to only 45% signatories in 2022.



The level of overall understanding of Mātauranga Māori perspectives on climate action increased between 2022 and 2023 but is still relatively low (2.63). It received the lowest average rating increase of all the questions (from 2.18 in 2022). There is, however, huge willingness to tackle this across signatories.

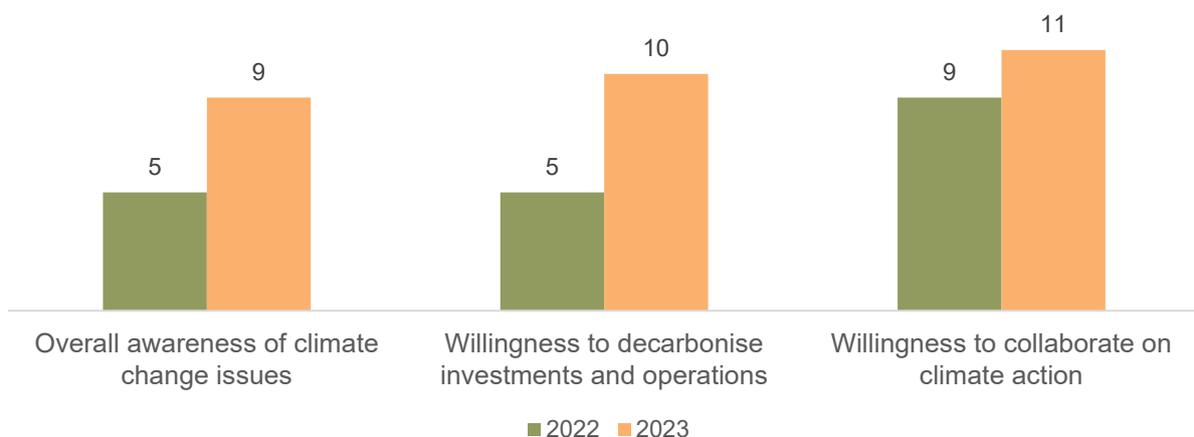


Between 2022 and 2023 the greatest area of progress relates to the **willingness in organisations to enable tangata whenua leadership and aspirations on climate action**. In 2023, 95% of signatories described this as ‘high’ compared to only 18% giving it this scoring, in 2022.



Overall progress on supporting climate action and a Just/Equitable Transition (Tika Transition) to a lower carbon society had a rating decrease (-0.03). The overall rating dropped from 2.82 in 2022 to 2.79 in 2023. 27% of signatories scored themselves as good in 2022, compared to 14% in 2023. Although one signatory rated themselves as ‘high’ in 2023, whilst none did in 2022. Understanding what a Tika Transition for Aotearoa might look like, is perhaps the most complex and multifaceted part of climate change understanding. This is highlighted in the report.

Figure 2: Progress of 11 signatories scoring as 'high' from 2022 to 2023



Willingness to collaborate on climate action (average score 4.50); willingness to decarbonise investments and operations (average score 4.50); willingness to learn more about climate action (average score 4.33); and level of commitment to addressing climate change (average score 4.29) all increased from 2022 to 2023 as shown in Figure 2 above.

| Interview findings

Building relationships and equity (tika) are fundamental across all findings – they are crucial to our collective climate journey.

Ongoing discussion/kōrero to understand what is meant by 'equitable or tika' is essential to build consensus across philanthropy, and the large-scale collective action that climate change necessitates.

There's a general understanding that it's unreasonable to ask people who are working long hours and struggling to provide for their family to take on time or money costs to 'green' their lifestyles, let alone adapt to climate change.

Our findings show that a unique take on a Just Transition to a low carbon Aotearoa New Zealand requires understanding and acknowledgement of the ongoing impacts of colonialism and supporting the journey of reparation and restoration. All signatories talked of the time it takes to build relationships and learn through discussion/kōrero. The whakataukī below illustrates this well.

Whakataukī

Ma te whakaatu, ka mohio
Ma te mohio, ka marama
Ma te marama ka matau
Ma te matau, ka ora

With discussion comes knowledge,
With knowledge comes understanding,
With understanding comes wisdom.
With wisdom comes wellbeing.

Mātauranga Māori (Māori knowledge) operates on a very different set of values and mental models and many signatories stated they would like to understand this better through ongoing kōrero.

| Summary of Key Themes from the 7 Commitments

01 Reflecting Te Tiriti o Waitangi and supporting Māori aspirations

All signatories expressed their acknowledgement of the importance of Te Tiriti and supporting Māori aspirations. Four of the eleven signatories interviewed said they had strong relationships with Mana Whenua in their rohe, 5/11 said that they are getting there but that those relationships are still developing, 2/11 are willing to start but haven't got the capacity to develop and maintain relationships with local hapū and iwi.

Acknowledging and incorporating Te Tiriti o Waitangi is a uniquely Aotearoa perspective on climate action that will mutually benefit us all and ensure that we value the voices, experiences and aspirations of Māori communities.

“Kaitiakitanga, that's guardianship. How do you have a relationship with Māori and iwi unless you actually are thinking about the future and the environment and climate change at the same time? Because that is what protection and partnership is about...you cannot comply with the treaty effectively unless you're thinking about climate change.”

How is your organisation recognising Mātauranga Māori or Māori knowledge in relation to climate action?

Two signatories report they have developed useful strategies to incorporate Mātauranga Māori in relation to climate action. Four signatories said they incorporate Mātauranga Māori into their mahi in general but not climate action specifically. Five said that although they recognise and value Mātauranga Māori they don't have the resources, support or expertise required to implement it in their mahi.

Mātauranga Māori practices outline the intrinsic connection between people and planet 'Ko au ko te taiao, ko te taiao ko au'. Te Ao Māori principles also emphasise the importance of intergenerational stewardship, protecting our taiao for the generations to come.

“Well, we subscribe to the Te Ao Māori view that everything is interconnected. The approach we've taken is that local people know what local solutions have to happen. And so, the view of the world would be that mana whenua know what is best for their action and their takiwā. So, I don't think we hold any Mātauranga Māori at all.”

02 An equitable transition

Has your organisation got specific data on communities that are most impacted by climate change?

Some signatories don't believe that getting data on specific communities that would be most affected by climate change would be helpful: “If I think about the sphere of influence that we have in distributing funding to help communities. I don't know that we need a lot of specific data. We know Māori will be more affected than Pākeha. Low income are going to be be more affected than high income earners. We know that those that live in the coastal areas are going to be more affected.”

Only one signatory said they have access to specific data but it's not climate centric. Three said they have access to data about who will be most affected, but they didn't collect that data themselves. Seven said they don't have access to any specific data.

"We've only got data that is being generated by others and available to us. We haven't done anything specifically ourselves. The knowledge base has been advanced as a result of the cyclone."

How are your resources or grants benefitting those most in need for an equitable transition?

All signatories said they look to fund the greatest need but don't all have systems in place to support this. Socioeconomic Deprivation indexes were mentioned as a useful tool to support the application of equitable funding.

"We have an equity lens that we apply across all of our grants."

"I wouldn't say we have a targeted program of granting around equitable transition. I guess we've had a wider priority around equity and sustainability, but not about equitable transition. I think in the next 6 to 12 months we will probably start putting a little bit more thought around it."

03 Enable leadership

All signatories expressed their support for enabling leadership within their communities. This could look like organising conferences, bringing in specialised speakers or providing personal development. Foundation North has established capacity and capability funding and support. It is also looking for impact investing opportunities and ways to support investment impact readiness.

A recurring theme was the desire to enable others to lead but a lack of understanding on how to show leadership as funders in climate action. An identified barrier and recurring issue is capacity and capability limitations.

Many signatories spoke of the need for dedicated funding, more buy-in from their Board and internal resourcing to commit to climate action leadership.

04 Commit and share resources

We don't need to reinvent the wheel, we just need to fit the wheel.

There is willingness across all signatories to share resources. More clarity is needed on different options for sharing resources and more systematic opportunities to co-fund and collaborate.

"We already showcase what we're doing to our philanthropic network but also to the for-profit network. Internal resources are focused across the whole staff, we have office staff, the grants team, we have finance thinking of it. Everyone has an individual role, and

we're clear on what our role is and what role we play. We make it each of our problems and we lead a different area and bring everyone with us on the journey. Most of us can have a conversation about what we're doing on climate action."

Do you have any strengths or good practice examples you could share with others, on any aspect of climate action?

Many signatories conveyed that they want to get to a point where they can share more detail with their own community about their climate journey and their emissions. Four out of eleven are going through this internally, with some looking at how they can visualise this to their community as a one pager so they can present it easily and transparently.

Some signatories are resourcing a staff member to lead the climate action agenda as part of their role, but four of the eleven signatories are struggling with committing and sharing resources due to resourcing constraints.

All signatories expressed their support for enabling leadership within their communities. Many mentioned how this could look, for example, organising conferences, bringing in specialised speakers or providing personal development/mentoring.

"We're thinking about this now. We're thinking about how we can be more proactive about giving that information authentically."

05 Learn and grow

Does your organisation create opportunities for trustees, staff and communities to learn more about climate change, including through Mātauranga Māori?

The majority of signatories have begun to create opportunities for trustees. Six signatories stated that they have climate change as a standing agenda item of every Board meeting. It was acknowledged that trustees can have little knowledge or understanding of climate change issues, or a low level of 'buy in'.

Four signatories have recently, or are currently, in the process of developing their strategic pou/direction. One shared how developing their strategic direction was an inclusive exercise where all staff and trustees were involved, laying a solid foundation. "It got their brains thinking through a sustainability and Mātauranga Māori lens, that exercise was a great opportunity for learning".

Many signatories spoke of how they could improve their use of professional development budgets for trustees and staff, to increase understanding around climate action.

"We need a sounding board which the Climate Action Co-leads role now offers. So, navigation in terms of the most useful resources and being honest about what isn't working and how we can learn from that. Having joined up opportunities for our trust and other funders to have short webinars on key topics that can be accessed by trustees and staff would be helpful".

There is an emerging practice of signatories having peer-to-peer dialogues intended to support learning and identify opportunities to grow together.

06 Decarbonise our investments and operations

Operations:

Seven signatories have begun the process of measuring carbon emissions in their operations in the last two years. There is agreement that measuring emissions is 'fraught with difficulty and a very manual process' but there is also recognition that the process is a huge opportunity to learn.

Some considered that it's in the operational day to day where confidence and competence around climate knowledge is built. Only four signatories have not begun the process of decarbonising operations, largely because they have low staff numbers and/or minimal travel in their organisation.

"If measuring your organisation's emissions is an undertaking you're considering, really consider the time and manpower required to do this. We totally underestimated this. Different certifications may have different requirements, but this is not something I would push for our small community organisations as they wouldn't have the resources."

"Ensure you have the right level of support at the top of the organisation. You can't just assume you can offset your emissions. A good certification process will make sure you have reduction plans in place going forward. Thankfully, we do have the support here but that might not be the case in all organisations."

Investments:

It was recognised across all signatories that learning is needed in the investment space around the climate change related risk to trust investments. Seven signatories are in the process of decarbonising their portfolio. One signatory is waiting for advice from Toitū before it acts. Two signatories are beginning to develop criteria to ask their investment advisors.

"As part of our commitment to transition to a truly sustainable investment portfolio by 2030, we believe it's important to transition our listed investments to low carbon and climate centric funds. This is one of the reasons why we are increasingly investing into private markets. These allow us to be more selective with our investments and directly target those sectors/companies that have the ability to have the most positive impact. We also believe this will drive superior financial returns in the future."

"We rely on our funds manager to do their role for us and to do the granular analysis of what each individual fund is invested in, and to advise us accordingly. We have an overall allocation of up to 10% of our portfolio to impact investments. We've also got a specific \$50,000 in our budget tagged to climate action for internal focus and we're also reviewing our SIPO."

07 Report on progress

As noted above, all signatories recognised that reporting on climate change related risk to trust investments will become more important. All signatories also have a willingness to improve internal reporting, but many don't yet have a strategy in place.

All signatories noted that they do a financial report at the end of each year, but it doesn't necessarily focus on climate action progress yet. All signatories recognised there is opportunity to provide greater detail in annual reports and websites going forward.

"This year we are incorporating a section in our annual report on our climate response."

Many spoke of the barriers in the granting system to categorise, monitor and expand climate action funding and that the system in its current form is potentially limiting better reporting of funds. Not all funders use the same granting system e.g., Fluxx, Smarty Grants.

Is the Tika Transition guide helpful to implementation and reporting?

The general theme was that while the Tika Transition Guide is a great approach, it can be difficult to implement.

"Is it helpful? Yes and no. It's a uniquely Aotearoa perspective on an equitable transition and what that looks like, but it is hard to relevantly apply it to our mahi. It's aspirational."

"Yeah, it's helpful but I think you need to bring people along with you on the journey, so for a lot of people, this is new. They're starting from a clean slate. For someone to be presented with something that is almost new to them, they've got to believe and understand it in a very, very short context and that's gonna be challenging. You can't have the expectation for them to understand Mātauranga Māori overnight - it's gonna take time. And for some, it's just a big learning experience."

"Yeah it's' helpful, though it takes time and effort to convert the guide into guidance."

| Opportunities for the Funders Commitment

Key opportunities exist via the Funders Commitment to:

Grow understanding around Te Ao Māori and Mātauranga Māori in relation to climate action.



Educate and inform people around climate action generally, including a Tika Transition, and how to take meaningful action in philanthropy.

Increase access for funders in Te Waipounamu (South Island) to climate related events and forums.

Strengthen communication around the Funders Commitment and its implementation, through the work of the Climate Co-Leads and the Climate Action Working Group.



Increase knowledge across governance boards on climate change related risks and opportunities. Increasing professional development for boards would accelerate positive action across the collective.



Advocacy and influence by philanthropy is an opportunity. It currently happens in an ad-hoc way but there is no collective strategy. There are opportunities to do this through resourcing and supporting community leaders and change makers who are advocating in the climate space. There is opportunity for the Climate Action Working Group to explore strategies for collective advocacy.

There is **opportunity to support mental health leadership** through understanding climate psychology and developing activated optimism with leaders in the sector. The Funders Commitment talks to resilience and tika, which sets a good foundation to further explore targeted Mental health thought-leadership.



Evaluating Systems Change is a promising way to achieve greater impact. Though it may be challenging, engaging in ongoing systems evaluation will support the understanding of the complex and evolving system of philanthropy. It could look at the current power dynamics, mental models, policies, practices and resource flows to look to support greater equity and shift in behaviours. This will likely support transformative impact.

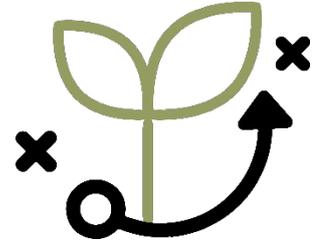
| Recommended Actions for Funders

Recommendations are proposed across these four areas, noting that funders are in different places in terms of climate action:

1 Strategic | 2 Operational: Short-Term and Long-Term | 3 Granting | 4 Investment

Strategic recommendations for funders:

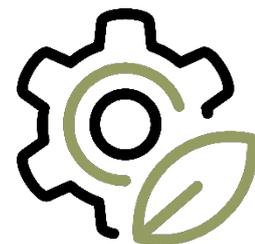
Dialogue is opening up about how philanthropy can address the colonial structures of its own institutions, invest and grant with a greater focus on racial equity and act in ways that empower Indigenous self-determination. Addressing the impacts of colonisation, transforming systems that don't work for Indigenous peoples and enabling cultural wellbeing are areas of work that need time.



- Include Sustainability and Te Tiriti o Waitangi pou in strategies. The Sustainability or Equity pou can include a focus on climate action.
- Acknowledge that climate change intersects with every aspect of the strategic direction of your organisation.
- Acknowledge that understanding climate change is part of everyone's work - staff, contractors, CEO's, management, trustees.
- Develop relationships with local rūnanga, iwi chairs and hapū in a way that is tika.
- Work with others in your region to identify how climate change is and will impact your communities. Identify ways to monitor and measure these where possible.
- Commit to an emission reduction plan and climate action plan for your organisation. Include operational carbon/energy reduction strategies and keep it simple: lighting, heating, waste, movement of people.
- Philanthropic organisations invest heavily in investment advisors – require them to step up in terms of climate appropriate and ethical investment, that is in line with funder strategy.
- Work with others in philanthropy to understand and drive opportunity for a strategic, collective voice on advocacy for climate action.

Operational Recommendations – What you can do today:

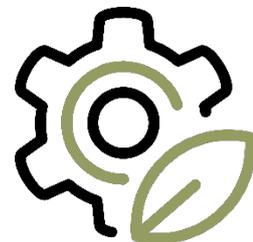
- Work in partnership with your local Rūnanga to understand their aspirations and vision.
- Create some KPIs across staff and trustee roles to align with the 7 commitments of the Funders' Commitment. Trial these over a short-term period before reviewing them.



- Put a climate action standing agenda item into every Board meeting.
- Share your learning with other signatories.
- Share and socialise the Funders Commitment with staff/trustees. Discuss and agree on actions to take.
- Use the Climate Co-Leads as a sounding board.
- Review your website and be clear on the climate action approach and actions you are taking.
- Switch to environmentally friendly suppliers, think about supply chain and procurement of goods and services to your organisation and their carbon footprint, investigate opportunity for a sustainable procurement policy.
- Invite your staff and colleagues to switch their superannuation to a carbon positive investment portfolio.
- Collaborate with other trusts and leaders in the climate space to draw inspiration and build momentum.
- Review policies against strategic pou for climate action.
- Reduce carbon before you offset carbon.
- Quarterly whole staff meetings for climate action related activities.

Operational Recommendations – Longer-Term:

- Whole staff and trustees professional development opportunities. Commit some professional development budget for this purpose.
- Set a specific budget for internal climate action initiatives/learnings and recognise it will likely grow over time.
- Build a climate action narrative across organisational pou and website.



Granting Recommendations:

Signatories, through their focus on equity and systems change, are working in environments of increasing diversity and complexity. To respond effectively within this complexity, funders need a range of tools in their toolkit – and to be flexible and adaptable as the environment changes or opportunities arise.



‘Adaptive granting’ may require funders to:

- To be responsive and make rapid decisions when needed.
- Invest in ways that are fit-for-purpose to the issue, opportunity or community.
- Need – whether that be seed funding or multi-year investments.
- Work relationally with grantees and trust that they know what they need to deliver on their mission and be willing to provide unrestricted funding - including investment in core costs.
- Prioritise learning at every opportunity, to support adaptation and increased long term impact.
- Prioritise granting towards activities that support climate positive action such as biodiversity, native planting and restoring wetlands.
- Track and publish climate action related granting spend every year - with the view that the collective signatories’ grants can become a published database showing specific climate action granting across the country.
- Ask grantees to describe their barriers in becoming more sustainable and impactful. Use this as shared learning.

Overview of Investments:

Understanding the impacts achieved through investment both short-term and long-term is a challenge and an imperative for the philanthropic sector. It's crucial for funders to begin to work with their asset consultants to provide a pathway of understanding:

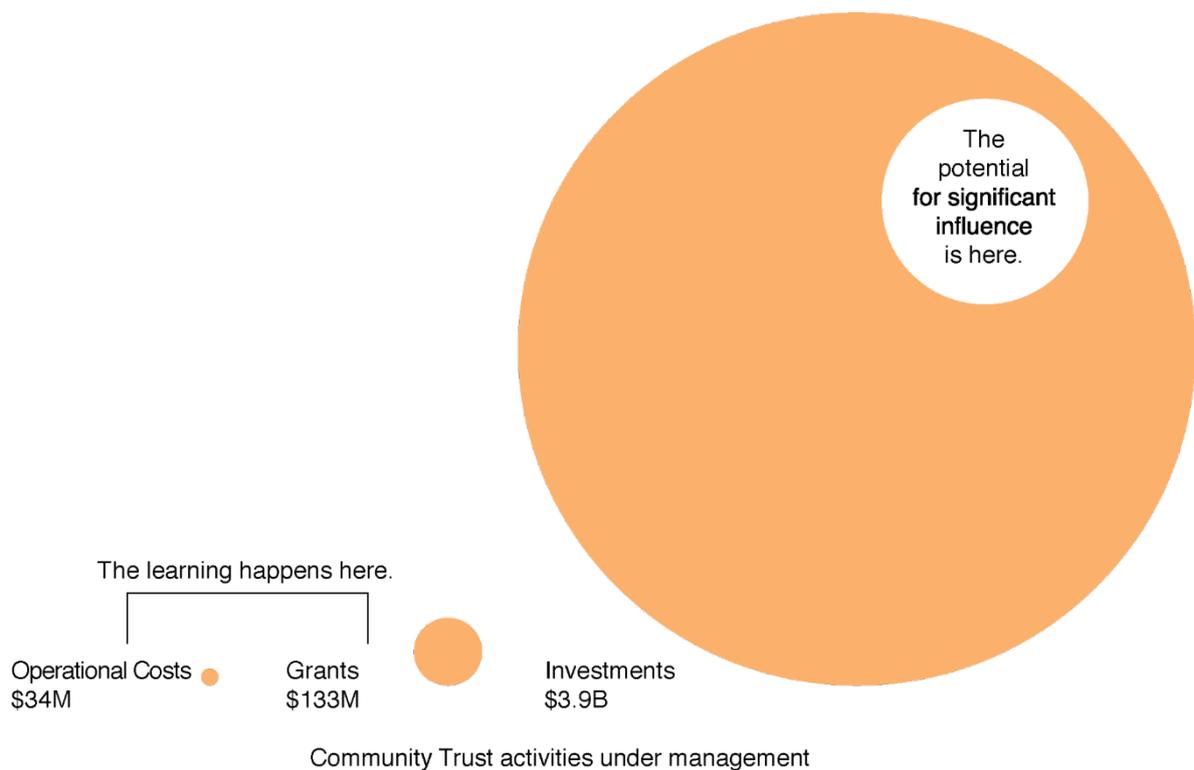


- Work with your asset consultant to find the appropriate strategy for your trust. This could be a mix of engagement and investing in climate positive assets.
- Signatories considering a divestment strategy have two main choices: full or partial divestment. Currently, most signatories are opting for partial divestment.

Considering these approaches allows signatories to align their portfolios with environmental goals, Mātauranga Māori goals, manage financial risks, and explore opportunities for positive impact investment. Different approaches offer distinct perspectives on divestment, ranging from exclusion to targeted analysis and proactive investment in solutions.

Key recommendations:

- Read the Investor Roadmap and socialise with leadership team and trustees: www.climateactionaotearoa.co.nz/investment-roadmap
- Incorporate climate change review in your SIPO and strategic asset allocation review.
- Commit to the Paris Aligned Investment Initiative and adopt the implementation framework.
- Engage your Fund Manager in discussion - take what you need from the example below.



Case Study:

Trust Waikato, a notable funder, engages with their fund managers through an annual responsible investment survey. Despite being a smaller investor, Trust Waikato's survey has sparked valuable discussions, learnings, and actions among their fund managers. The survey's findings are reported to Trust Waikato's Board. Below is an overview of Trust Waikato's 2022 survey:

1. Board and management education: Address the potential financial impacts of climate change through education initiatives.
2. Review of investment beliefs: Assess compatibility with climate risk management and climate change-related disclosure.
3. Climate scenario analysis: Incorporate climate scenario analysis in future strategic asset allocation and asset class strategy reviews.
4. Investment management capabilities: Review internal or external investment management capabilities, focusing on climate change integration, engagement, disclosure, and risk management processes.
5. Carbon exposure and stranded asset risk: Measure carbon exposure and stranded asset risk in listed equities and other asset classes where feasible data is available. Consider portfolio exposure reduction accordingly.
6. Sustainability characteristics of long-term illiquid exposures: Review the sustainability aspects of long-term illiquid investments, including assessment of climate-related policy, technology, and physical risk.
7. Target investments for a lower carbon economy: Over time, explore investments that can benefit from the transition to a lower carbon economy, subject to appropriate risk/reward considerations.

In addition to these survey questions, Trust Waikato also inquires about various responsible investment practices, such as policies, public disclosure, impact measurement, climate change position statements, net-zero targets, carbon footprint measurement, adoption of reporting frameworks like the Task Force on Climate-related Financial Disclosures (TCFD), and their assessment scores as a signatory to the Principles for Responsible Investment (PRI). They also seek details on investment decisions influenced by ESG factors and any contentious or topical issues in voting against company management or shareholders.

By engaging through this survey, Trust Waikato stimulates dialogue and encourages their fund managers to enhance their responsible investment efforts, ultimately aligning investment strategies with environmental and social objectives.

Conclusion and Next Steps

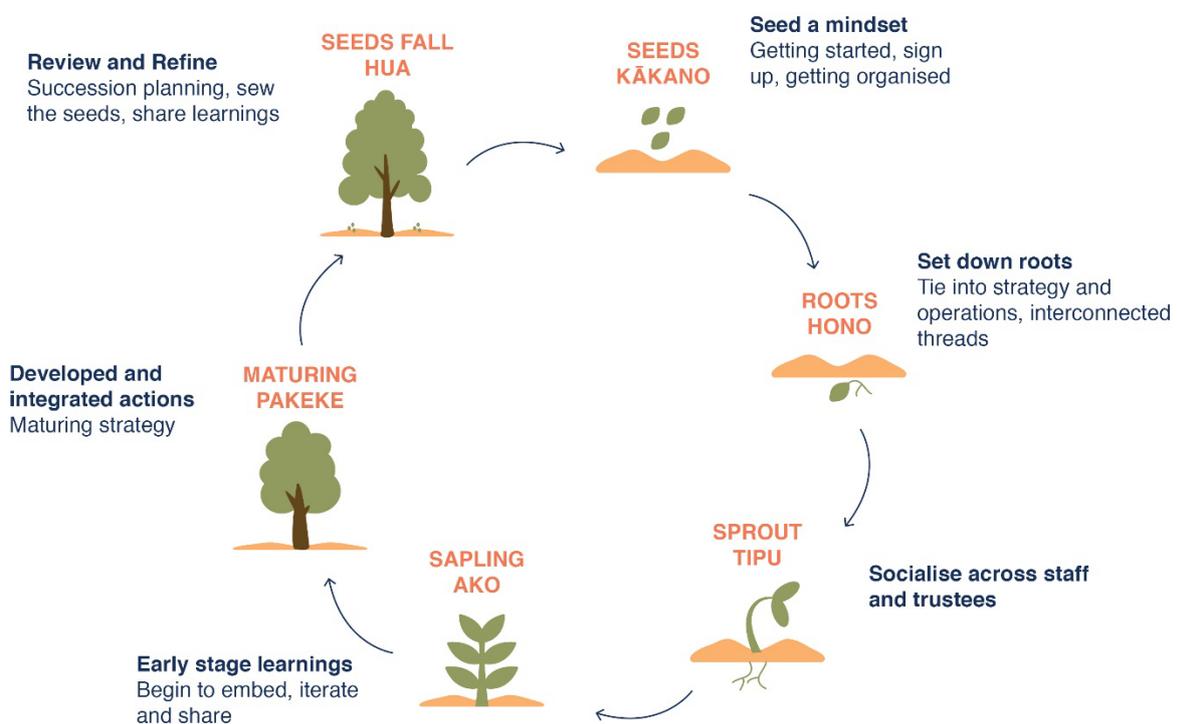
The findings of this report show the emergence of a Tika Transition movement across the country, inspired by Te Ao Māori principles of an equitable transition.

Drawing upon a nature-based analogy, we observe that this movement resembles the growth of a forest.

This visual sets out the aim through Climate Action Aotearoa and the Funders Commitment to germinate and build a movement for climate action in philanthropy.

Te Rautaki | Germinating a Movement

Implementing the Funder's Commitment



These findings reveal that the majority of current signatories can be likened to seeds that have been sown, with many now taking root, sprouting, or in the early stages of becoming young saplings.

In germinating a movement, beginners are supported and encouraged and those already on their journey share their learnings. The implementation is a nature-based life-cycle approach, which is inclusive, and mana enhancing.

In fostering the Tika Movement, Signatories can thrive and contribute to a more equitable and sustainable philanthropic sector.

The Climate Action Co-Leads aspire to play the role of nurturing water, providing sustenance and nourishment to this growing movement by supporting its implementation.

ENDS