Research / Engage / Influence /

Climate-related Financial Disclosure Statement (TCFD)

October 2022

Foreword

Climate change is distinctly financial in nature, presenting risk and opportunities for businesses. There are physical risks and opportunities associated with rising mean global temperatures, rising sea levels and increased severity of extreme weather events, and transitional risks and opportunities as the economy adjusts to a lower carbon future. Because of this, ACSI has been engaging with companies on climate change risks and opportunities for over a decade.

For long-term investors, managing climate-related risk requires investee companies to set their strategy to adapt to a low-carbon future. This includes a company demonstrating how climate risks and opportunities are integrated into its governance, strategy and risk management processes.

As a representative of long-term investors, ACSI engages with companies to understand their approach to managing the climate-related risks and opportunities material to their business, the challenges they face, and to clearly communicate our expectations.

We recommend the risk assessment and reporting framework in the Financial Stability Board's Taskforce on Climate-related Financial Disclosure (TCFD) and expect disclosure to extend to strategies, metrics and targets to manage risk. We also support the emerging international standards on sustainability reporting more broadly, in particular the work of the International Sustainability Standards Board.

We encourage companies to conduct and disclose scenario analysis that considers the transition risks of moving to a Paris-aligned economy as well as the physical risks associated with unmitigated climate change.

Adopting disclosure ourselves is our way of keeping ourselves accountable to what we expect from the companies we engage with. Although we do not have material climate risk exposure directly within in our own business operations, like all organisations, we are exposed to systemic risk. Therefore, we see the benefit of assessing and addressing climate change risk, and as such we are reporting here on our progress.

This report aims to demonstrate how it can be useful for businesses of all shapes, sizes and industries to undergo regular and thorough examination of their own exposure to climate change, and to question how it will impact the business going forward.

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include 26 Australian and international asset owners and institutional investors with over $1trillion in funds under management.

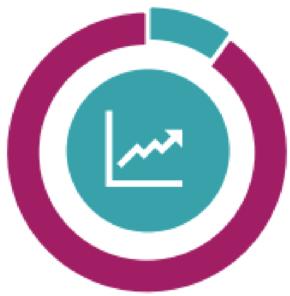
Through research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership to strengthen investment outcomes.

Active ownership allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

We engage strongly and constructively with major listed entities on ESG issues; provide vital research, policy and voting advice to our members; and interact with policy makers and regulators to support the alignment of markets with the interests of long-term investors.

26 Australian & international investors

Leading voice on ESG issues and advocacy



ACSI members manage $1 trillion in assets

Table of contents

Governance

The Australian Council of Superannuation Investors (ACSI) (ACN 164 568 610) is a public company limited by guarantee domiciled in Melbourne, Australia. As at 1 October 2022, ACSI employs 22 permanent staff and we support our 26 Australian and International members.

ACSI climate change principles

ACSI supports the Paris Agreement aim of limiting global warming to 1.5 °C which will require a shift to net zero emissions by 2050.	A planned and orderly transition to a low carbon economy is preferable to a disorderly transition. This includes ensuring an equitable and just transition for workers, communities, and other stakeholders.	Investors have an important role to play in driving the low-carbon transition through their stewardship activities. This includes engaging with investee companies on climate change risks and opportunities.

ACSI governance oversight of climate-related risks and opportunities

At ACSI, we recognise the risk that climate change poses, as a business, individually and within our community. Climate change and the impact on our members and their beneficiaries, is an important issue in our ESG work. We seek to understand how climate change will impact our business, and our members investments, and actively seek to minimise the risks.

Our Governance structure, and how we oversee risk management in relation to climate risk is outlined below:

Executive Management	Finance, Risk and Audit Committee (FRAC)	ACSI Board
The Executive Management Team (EMT) is responsible for the assessment, development, and implementation of risk management activities, including to identify, prevent and mitigate risks, including climate risk.	The FRAC assists the Board in discharging its responsibility by advising on the effectiveness and operations of ACSI's internal controls over financial and other operations and reporting and compliance with legal and regulatory requirements.	The Board is responsible for the oversight of ACSI's audit, compliance and risk management and the interpretation of ACSI's rules and policies.

ACSI Member Advisory Council

The ACSI Member Advisory Council is an advisory body that reviews ACSI's work program in respect of climate change, in consultation with Management. Its members contribute to the goals and direction ACSI takes in terms of ACSI's research, engagement and policy advocacy agendas, which include climate change risks and opportunities as a key area of focus.

Management’s role in assessing and managing climate-related risks and opportunities

ACSI is a member-based organisation supporting long-term investors and asset owners. Our members view environmental, social and governance risks and opportunities, including climate change, as financially material for long-term investment performance. The long-term investment time horizons over which ACSI members invest are highly correlated with the timeframes over which climate-related physical and transition risks and opportunities are likely to impact. Therefore, the most significant area of work ACSI does in respect of climate-related risk is supporting members in their stewardship activities. This includes research, engagement with ASX300 companies and, policy and advocacy work with policy makers, regulators and other industry bodies.

Net zero commitment

ACSI supports the Paris Agreement aim of limiting global warming to 1.5 °C which will require a shift to global net zero emissions by 2050. We have advocated strongly for the development of economy-wide strategies to achieve this alongside 2030 targets that are aligned to the Paris Agreement objectives. These are imperative to achieving orderly, just and fair transition for the Australian economy where the transformation sees both the risks managed and the opportunities realised.

ACSI's operational net zero commitment

ACSI's operational emissions footprint is small, with emissions generated from electricity use in one office space. Our Scope 2 emissions for FY22 were 14,087 kg/CO2 per sqm.

ACSI requires that the property manager for our office space has a Paris aligned net zero target for its office portfolio and can demonstrate a pathway for decarbonizing the properties. Based on the plans for our tenancy, ACSI has an ambition for net zero emissions by 2030 for Scope 1 and 2 emissions, and a target of 100% renewables for our office space by 2025.

As ACSI's current tenancy is within Charter Hall Group, our commitment is underpinned by Charter Hall's current commitments for decarbonizing its portfolio:

- Electricity from 100% renewable sources by 2024.
- Climate Change Adaptation plans implemented for all new developments and existing assets.
- Minimum 5.0 star NABERS Energy ratings by FY25, portfolio average 5.5 star NABERS Energy rating with a pathway to 6.0 stars.
- Portfolio average 4.5 star NABERS Water rating, with pathway to water neutrality where possible.
- Circular economy and waste reduction strategies to achieve 4.5 star NABERS Waste rating, 50% diversion from landfill (existing buildings) and 90% diversion (developments).
- Net Zero carbon emissions (scope 1 & 2) by FY 2030.
- Net Zero carbon emissions (scope 1, 2 & 3) by FY 2035.

With reference to our specific tenancy the following steps have been taken by Charter Hall on sustainability:

- The building has achieved a 4.0 star NABERS energy rating (without green power) and 5.0 stars (with green power).
- The building is targeting a 5.0 star NABERS energy rating (without green power) in 2023 and a pathway to 5.5 stars through a combination of operational improvements and capital initiatives being implemented.
- The building has achieved a 3.5 star NABERS water rating.

If ACSI's tenancy was to change, it would be a prerequisite of the new property manager to ensure the property portfolio has an ambitious net zero commitment and interim targets to achieve net zero.

ACSI's Scope 3 emissions are again small and occur from staff commuting to and from the office and, from time-to-time, ACSI employees undertaking company travel. Most staff use public transport or cycle to work, with a few employees using a standard combustion car to commute to the office. ACSI offsets 100% of airline travel by purchasing carbon offsets on all eligible flights.

Short-, medium- and long-term emissions reduction targets in listed companies:

The most significant impact ACSI can have in reducing portfolio risk for our member funds and reducing emissions in the real economy is through our stewardship activities.

ACSI's climate policy position outlines our expectations for high risk companies which in summary means that companies that face material climate-related risks should undertake activities including:

- Disclosing their approach to climate-related risks by adopting the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) risk assessment and reporting framework.
- Aligning corporate strategy to the Paris Agreement and the objective of net zero emissions by 2050.
- Setting short, medium and long-term emissions-reduction targets that align to the Paris Agreement.
- Analysis of the physical risks arising for assets within its portfolio. Assessment should be detailed and include asset-level and/or industry-level exposures and resilience plans.

ACSI's summary of progress in the ASX200 as at March 31 2022 includes:

Sector	Percentage of companies with a medium-term emissions reduction target	Percentage of companies with a net zero target
Communication Services	50%	25%
Consumer Discretionary	33%	21%
Consumer Staples	77%	69%
Energy	67%	67%
Financials	34%	45%
Health Care	21%	0%
Industrials	53%	53%
Information Technology	31%	25%
Materials	63%	68%
Real Estate	58%	71%
Utilities	67%	100%

Strategy

ACSI is located in Melbourne, Australia, and faces physical risks associated with climate change in this region. While ACSI faces limited transition risk as an organisation, climate change is a core focus of our day-to-day advisory work.

ACSI works to address climate related investment risk as part of its role as an ESG advisor to its clients, many of which are superannuation funds. As such, ACSI identifies risks faced by its superannuation fund clients, particularly in their listed company investments. These are described below.

Climate-related risks and opportunities identified over the short, medium, and long term

ACSI's members invest in multiple asset classes including equities, bonds, infrastructure, and property, both in Australia and overseas. ACSI provides research, engagement and (in some cases) voting research and recommendations in relation to Australian equities and International equities (focusing on the ASX200, with voting advice provided across the ASX300).

There are significant risks to listed companies associated with the transition to a lower carbon economy. As investors, ACSI's members, have a strong interest in managing these risks, as well as in encouraging companies to pursue opportunities associated with this transition.

ACSI has identified those ASX200 companies that face significant transition and physical risks, and targets these companies in engagement, regularly meeting with their directors.

In the past, ACSI undertook a major research project, hiring Vivid Economics, a London-based economics consultancy, to model the resilience of ASX200 companies to Paris-compliant transition scenarios, in line with the recommendations from the Task Force for Climate-related Financial Disclosures (TCFD). The research identifies the most at risk sectors and companies and provides detailed information on the source of the risk (including demand destruction, carbon pricing and competition impacts).

In 2022, ACSI produced detailed research of the climate disclosure of ASX200 companies detailed below.

This research is being built on in 2022, as we work with Climateworks Centre to assess the alignment of current short-, medium- and long-term commitments from the ASX200 to an Australian specific 1.5 degree Celsius scenario.

Impact of climate-related risks and opportunities on strategy and financial planning

The identification and management of climate risks through engagement, research and policy advocacy is a core responsibility for ACSI in its role as an ESG advisor to superannuation funds, and therefore has an impact on strategy and financial planning. Climate change-related engagement, research and policy aims are included in ACSI's strategic plan, which is approved by the Board. Staff resources are used to engage with ASX200 directors to express expectations around climate related risk. ACSI funds internal and external research on climate change.

Resilience of organisational strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

As a professional advisory firm, ACSI is not exposed to high levels of transition risk, and therefore has not completed scenario analysis as an organisation. However, ACSI uses services that are subject to levels of climate related risk, such as our building occupancy. In this example, we are a sub-tenant and our head lessor - Charter Hall - has undertaken scenario planning. Charter Hall has adopted SDG13 with regards to its climate resilience approach, focusing on target 13.1 "strengthening resilience and adaptive capacity to climate-related hazards and natural disasters in all countries, specifically Australia." Additionally, Charter Hall has committed to net zero scope 1 and scope 2 emissions by 2030. A link to the latest TCFD report from Charter Hall can be found here. This analysis shows that under 4 degree Celsius of warming Charter Hall Group office spaces have a medium risk to temperature rises, low risk to bushfires, cyclones and sea level rise and high risk to storm and hail damage.

ACSI recognises the importance of scenario analysis for the companies its members invest in, particularly where they are subject to high exposure to climate risk. ACSI has undertaken research into transition risk in ASX200 companies across three well-below 2-degree scenarios. This research has been distributed to members. Additionally, ACSI is undertaking research during 2022 with Climateworks Centre to assess the alignment of current short-, medium- and long-term commitments from the ASX200 to an Australian specific 1.5 degree Celsius scenario.

Risk management, metrics and targets

ACSI's operations

Whilst ACSI's exposure to climate risk is low relative to large organisations, we seek to reduce our level of exposure as follows:

- Engaging with our lessor, as a sub-lessee of Charter Hall to understand and influence decisions about renewable energy choices made in addition to monitoring how they progress against their own targets as noted above.
- Where business related travel is required, making choices about the mode of transport used and where possible offsetting carbon emissions or selecting providers who enable the offset of carbon emissions.
- Proactively looking for opportunities to minimise waste, including:
  - Recycling goods including paper, cardboard, e-waste and other recyclable goods.
  - Minimising printing by utilising digital options to reduce waste where possible.
- Conveying environmental management expectations of our suppliers through our Supplier Code of Conduct. Suppliers are expected to minimise the environmental impact of their operations and maintain environmentally responsible policies and practices.

  Suppliers must comply with all applicable laws and regulations relating to the environment, including any management, and reporting obligations. Where relevant, suppliers are expected to manage the environmental impact of their operations by:
  - ensuring the safe storage, transportation and disposal of hazardous substances including hazardous waste.
  - maintaining policies and practices for the efficient use of energy, water and natural resource consumption.
  - maintaining policies and practices that reduce the risk of pollution, loss of biodiversity, deforestation, damage to ecosystems and greenhouse gas emissions.

ACSI's work to support members

How ACSI supports members to identify, assess, and manage climate-related risks.

ACSI members are exposed to climate change risks in two ways, through their portfolios and investee companies and through their broader exposure to the economy.

Therefore, the most material role ACSI plays is to support our members in managing and mitigating climate-related risks through stewardship activities.

ACSI has identified ASX200 companies facing significant transition and physical risks, and targets these companies in engagement, regularly meeting with directors of these companies.

1. Identification and assessment of climate change risks

ACSI assesses climate-related risks by identifying sectors and companies most exposed to physical and transition risks in the ASX200, including broader social implications for the low carbon transition.

Where risks and opportunities are systemic, ACSI identifies and advocates for policies that will reduce climate-related risks for investors.

2. Management of climate-related risks

ACSI responds to climate-related risks through:

- Engaging with target companies to encourage the companies to take measures or modify behaviours to reduce and manage climate related risk.
- Undertaking research projects that provide an evidence base for engagement with companies on climate-related risk.
- Undertaking research projects that provide an evidence base for policy change that will reduce climate-related risk for investors.

3. Reporting progress and prioritising action

ACSI's climate change engagement priority company list is reviewed and updated annually. Where ACSI identifies issues, we engage with the companies throughout the year and track and monitor progress against our defined objectives. ACSI provides formal semi-annual updates and evaluations to members on where objectives were or were not met.

Where objectives are not met, ACSI continues to prioritise those issues in company engagements and apply our Climate Change Policy where appropriate.

4. Member Advisory Council oversight

Each year, the companies identified to have one or more material issues become engagement priority companies. ACSI aims to both support companies in the low carbon transition and create meaningful change in investee companies by setting specifically defined concerns and objectives across governance and disclosure, risks and opportunities, metrics and targets and strategy.

The impact of ACSI's work in research, engagement and policy and advocacy: Identification, metrics, targets and progress

Research

Report	Objectives	Achievements
ESG Reporting in the ASX200 ASX200 report findings generate 20 or more company engagements on underling themes of climate, safety and workforce reporting.	This report assesses the quality of ESG reporting by ASX200 companies, covering a broad range of financially material ESG risks and opportunities, including climate change.	ACSI's report, and accompanying letter to boards explaining each company's rating, has helped support the evolution of ESG reporting, accelerating the number of companies providing high quality ESG disclosures to investors.
Promises, pathways & performance – climate disclosure in the ASX200 ASX200 report findings identify the how companies are progressing in climate change management and disclosure across the following indicators: TCFD adoption and disclosure, short, medium and long-term target setting, net zero commitments, scenario analysis and physical risk analysis.	This study highlights examples of best practice and gaps in reporting, provides a snapshot of TCFD adoption rates and an insight into how companies are setting objectives for meeting the Paris Agreement.	ACSI conducts a comprehensive analysis of ASX200 company climate change disclosure, allowing informed dialogue between ACSI, its members and companies about their climate change goals.
Transition risk research by Vivid ACSI commissioned Vivid Economics, a London-based economics consultancy with deep experience in the economics of climate change, to provide investors with a detailed analysis of the transition risks and opportunities facing the ASX200 companies.	In this report, Vivid Economics tests the resilience of ASX200 companies to Paris-compliant transition scenarios, in line with the recommendations from the TCFD.	ACSI used this research to: 1. Engage with target companies on their approach to transition risks and opportunities in constructive new ways and in greater depth than previously possible. 2. Inform investors' approach to considering climate-related financial risks in Australian companies.
Paris alignment research ACSI commissioned the Climateworks Centre to assess the level of alignment of ASX200 companies' short-, medium- and long-term targets to a 1.5 degree Celsius, Australia-specific scenario.	In this report, ASX 200 companies were assessed on two fronts. The first was whether they had instituted short-, medium- and long-term targets, and the second assessment looked at whether these targets were in line with a company-specific, Australia-focused 1.5 degree Celsius scenario, derived from the *Decarbonisation Futures* 1.5C All-in scenario.	The report will be released later in 2022.

Engagement

ACSI has been engaging ASX-listed companies on climate change for over a decade, and since 2017 has been explicitly asking for companies to align disclosure to the TCFD framework and integrate climate change considerations into corporate strategy, capital allocation and investment.

ACSI has strengthened its engagement framework used with companies to understand their approach to managing the climate-related risks and opportunities material to their business, the challenges they face, and to clearly communicate expectations.

ACSI's climate change framework

Where companies face material climate-related risks, ACSI expects companies to:

- Disclose their approach to climate-related risks by adopting the TCFD: Adopt the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) risk assessment and reporting framework.
- Align corporate strategy: Align corporate strategy to the Paris Agreement and the objective of net zero emissions by 2050. Paris-aligned metrics should inform company strategy and be integrated into capital allocation decisions, financial reporting and audit, and where appropriate, remuneration practices.
- Undertake scenario analysis: Companies should stress-test the resilience of their portfolios and strategy against a range of plausible but divergent climate futures, including a Paris-aligned 1.5°C scenario and physical-risk scenarios based on current warming trajectories.
- Set Paris-aligned emissions targets: Setting short, medium- and long-term emissions-reduction targets that align to the Paris Agreement. In addition to quantitative metrics, targets may including undertake planned actions, partnerships, research and development, or investment to address risks material to the company.
- Analyse and manage physical risk: Companies should undertake analysis of the physical risks arising for assets within its portfolio. Assessment should be detailed and include asset-level and/or industry-level exposures and resilience plans.
- Align policy and advocacy activity: Companies should ensure their policy and advocacy activity is consistent with the goals of the Paris Agreement, including activity undertaken both directly and via industry associations.
- Plan for just and equitable transitions: Incorporate impacts on employees, communities and other stakeholders into transition strategy and planning.

These minimum expectations also form the basis of the framework against which ACSI analyses each company and its progress.

Action and escalation

Where companies consistently fall short of ACSI expectations, applying the indicators set out in this policy, ACSI may make recommendations to vote against directors of ASX200 companies, on a case-by-case basis.

ACSI recommendations will focus on the individual directors most accountable for oversight of climate-change related risks, for example company Chairs, and the Chairs of the Risk and Sustainability committees or similar.

As always, ACSI recommendations will be combined with direct company engagement, and take a balanced approach, with the long-term interests of members' beneficiaries paramount.

Support for 'Say on Climate' resolutions

To further support engagement between companies and investors on management of climate-related risk and opportunities for the long-term, ACSI supports the provision of a 'Say on Climate' whereby companies provide investors with an advisory vote on the company's management of climate-related risks and opportunities (using the indicators outlined above). While much of this work is already conducted through engagement between investors and companies, a 'Say on Climate' advisory vote provides further focus, transparency and accountability.

How we measure and track progress?

The broad engagement program aim is to engage with target companies to encourage the companies to take measures or modify behaviors to reduce and manage climate related risk. ACSI sets clear and measurable objectives for companies, depending on their industry and progress to date, annually. Each calendar year ACSI reports to the Member Advisory Council the progress achieved for each company and where improvement is needed.

Progress at ACSI is defined as the vast majority of target companies making some or material improvement against our stated objectives.

ACSI's climate change framework above discloses the seven key principles of which we set objectives within and measure progress against and provides clear objectives of what ACSI expects companies to meet. The exact targets that are set annually for companies depends on the company, industry and the progress the company has made to date, the objectives differ for each company. A case study has been provided below to give readers an example of how ACSI set targets and ratchet expectations.

Case study of ACSI engagement with energy company:

2017

ACSI engaged with the company on TCFD adoption and expectations for reporting.

2018

Company produced first TCFD report that assessed energy demand changes against IEA scenarios for existing and potential growth portfolio and net zero 2050 aspiration.

2019

2019 ACSI targets

Develop an emissions reduction plan to achieve net zero emissions by 2050 including short- and medium-term targets (Scope 1, 2 and 3) and site-specific activities that demonstrate action. Stress test business against <2C scenario.

2019 company progress

Company updates the climate report to include a below 2C scenario, and actions to drive emissions reduction including emissions efficiency and step-change technology research and development.

2020

2020 targets

Develop an emissions reduction plan to achieve net zero emissions target including short- and medium-term targets (Scope 1, 2 and 3) and site-specific activities that demonstrate action. Stress test business against 1.5C scenario and develop a strategy to transform the business to be aligned to 1.5C that embeds climate considerations in capital allocation decisions and shows investment is allocated to new energy business and technologies. Link executive remuneration to climate ambitions. Undertake physical risk analysis of assets.

2020 progress

Further stress testing against a <2C scenario and greater focus on fugitive emissions. Short-term climate targets linked to short-term incentives.

2021

2021 targets

Develop an emissions reduction plan to achieve net zero emissions target including short- and medium-term targets (Scope 1, 2 and 3) and site-specific activities that demonstrate action. Stress test business against 1.5C scenario and develop a strategy to transform the business to be aligned to 1.5C that embeds climate considerations in capital allocation decisions and investment is allocated to new energy business and technologies. Link executive remuneration to climate ambitions. Undertake physical risk analysis of assets.

Adopt a Say on Climate resolution to the 2022 AGM.

2021 progress

Announced new net zero target and medium-term emissions reduction targets for Scope 1 and 2. Disclosed decarbonisation pathway to net zero and carbon pricing and GHG emissions embedded in decision making.

Company adopted Say on Climate resolution and committed to disclose a climate transition action plan ahead of the AGM and shareholder vote on the Say on Climate resolution.

2022 targets

2022

Set targets, investments, partnerships for addressing Scope 3 emissions. Disclose a detailed plan underpinned by specific actions that will transform the business into a new energy business. Business strategy informed by 1.5C scenario analysis and investment allocation to new energy and technologies. Physical risk and just transitions analysis to be undertaken,

2022 progress

Scenario analysis against 1.5C scenario and updated climate strategy to incorporate. Produced climate transition plan with new medium-term targets and aspirational targets to address Scope 3 emissions by providing lower carbon fuels to the market. Transition plan highlighting activities to reduce emissions between 2020-2040 and pipeline of assets that will be transformed to new energy hubs including FID and online estimates, with beginning investment for one energy hub and proposed low and cleaner energy investment spend to 2030. Carbon price updated and long-term equity grant also linked to delivery of climate change transformation and emissions reduction. Physical risk analysis undertaken and begun work on just transitions.

What progress has ACSI achieved?

In FY22, ACSI conducted 301 engagement meetings with 193 ASX300 companies, and another 13 meetings with NGOs to gain better insight into their concerns about company activities.	This included 71 meetings with climate priority companies, alongside broader engagement outside of this list on climate change when material.	As at 30 June 2022, of ACSI's 31 high risk climate priority companies, 29 have set net zero targets and 20 had made some or significant improvement against our stated objectives during the calendar year.

ACSI's engagement and priority areas typically include multiple climate-related targets for companies, some examples of the notable improvements in ASX300 companies included:

- 16 high risk priority companies integrating climate considerations into executive remuneration.
- Eleven companies adopting a 'Say on Climate' resolution at their FY22 AGMs and committing, or, producing a climate transition action plan.
- Improved engagement from companies on just transitions.

ACSI's latest research "Promises, pathways & performance" – climate disclosure in the ASX200 found the following:

- Net Zero commitments are now the norm for Australian companies with $1.59 trillion or 70% of the ASX200's collective market capitalisation adopting net zero commitments. This represents 95 companies, almost double the number from March 2021.
- More detailed targets are now being set to support long-term ambitions - Reflecting a focus on 2030, medium term targets (some aiming at net zero) now dominate company-set targets. Ninety-six companies have a target focused between 2026- 2039. This has more than tripled since 2019 and shows a shift away from short-term actions.
- Two-thirds of the ASX200 have set at least one emissions reduction target.
- 29 companies disclosed using a shadow carbon price in decision making, the vast majority (27) of them in the ASX100.

- Thirty-eight companies in the Materials, Energy & Utilities, Industrials, Health Care, Real Estate, Financials and Consumer Discretionary sectors integrated sector-relevant climate change metrics into their executive remuneration.
- 27 companies disclosed Scope 3 targets and milestones.
- The majority of companies are now adopting and disclosing against the TCFD, with 103 companies either fully or partially aligning their disclosure to the framework.

Policy and advocacy

The risks of climate change are deeply embedded across the financial system and will influence the value of ACSI members' investments. ACSI's policy and advocacy work is therefore aimed at mitigating the impact of these risks on members' investments. ACSI engages with a number of policymakers and regulators, advocating for a regulatory environment that facilitates effective climate risk mitigation, in the best financial interests of funds and their members.

Governments and policymakers will have a vital role in setting a policy framework that will facilitate the achievement of the Paris goal of limiting global warming. To strengthen investor confidence, it is essential that policymakers deliver credible and continued support for action to achieve a net-zero emissions and climate-resilient economy. This involves acting to:

- Develop pathways to a net-zero emissions economy, including economy-wide strategies to achieve net zero by 2050, the Government's 2030 targets, and ensuring Australia's alignment with Paris Agreement objectives.
- Ensure a managed energy-sector transition, including the necessary frameworks, strategy and resourcing to ensure an orderly, just and equitable transition.
- Build resilient communities and economies including a national adaptation strategy.
- Continue to incorporate climate change as a systemic risk in corporate and financial regulation and disclosure frameworks. Support market participants by providing clear guidance on the effective management of climate-related risk.

ACSI has been engaging with policymakers and regulators on these areas and advocating for progress towards a net-zero emissions economy that improves investment certainty, long-term financial outcomes, and supports workers and communities affected by the transition. ACSI engages in discussions with regulators and policymakers to also share its research, expertise on the climate-related risk faced by ASX listed companies and the consequent investment risks.

In addition to engaging with policymakers directly, ACSI makes formal submissions as part of consultation processes on policy and legislation related to climate-related risk.

In 2021-22, ACSI undertook the following activities:

- Submissions supporting the introduction of the International Sustainability Standards Board (ISSB) in Australia. ACSI wrote its own submission, as well as joining with other market participants to write an 'Australian voice' submission. Both submissions outline the importance of improving the standards of climate reporting in Australia and internationally.
- A joint letter, co-signed with a cross-section of business, investor and conservation groups to support the passage of the Climate Change Bill as an important step towards the greater climate policy certainty needed to support investment in the transition to a low-carbon economy.
- Setting up a Just Transitions Working Group, to improve investor understanding of how to support a smooth, just and equitable transition to a low emissions economy. The Working Group will develop research and guidance for investors and companies on good practices for a just transition.
- Engaging in the consultation process to develop the Taskforce for Nature-Related Financial Disclosures (TNFD). This is an ongoing process, and ACSI is working to improve investor understanding of nature-related climate risks, and how they interact with climate change.

ACSI also engages with other organisations working on climate-related risks, to share knowledge and understanding of the issues. For example, this includes the Investor Group on Climate Change (IGCC), the Centre for Policy Development (CPD), the Responsible Investment Association of Australasia (RIAA), UN's Principles for Responsible Investment (PRI) and others.

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