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ACSI

Climate-related Financial Disclosure Statement (TCFD)

October 2023

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 (among other things) 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 and the Australian government's moves towards mandatory climate-related disclosure.

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. We also engage in public policy advocacy, with the aim of supporting public policy settings that appropriately manage the risks and promotes the opportunities. Given the benefit of assessing and addressing climate change risk, we are reporting here on ACSI's progress.

This report aims to demonstrate how it can be useful for businesses of all shapes, sizes and industries to undergo regular 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 Australian and international asset owners and institutional investors with more than $1 trillion in funds under management.

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage.

ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest.

Australian & international investors

Leading voice on ESG issues and advocacy

ACSI members manage over $1 trillion in assets

Acknowledgement of Country

We acknowledge and respect the traditional lands and cultures of First Nations people in Australia and globally. We pay our respects to Elders past and present and recognise First Nations peoples' longstanding and ongoing spiritual connections to land, sea, community and Country. Appreciation and respect for the rights and cultural heritage of First Nations peoples is essential to the advancement of our societies and our common humanity.

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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 2023, ACSI employs 25 permanent staff and we support our Australian and International members. ACSI is a standalone entity whose registered office and principal place of business is Level 23, 150 Lonsdale Street, Melbourne, Victoria Australia.

ACSI climate change principles

ACSI supports the Paris Agreement aim of limiting global warming to 1.5 °C.

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 and public policy advocacy.

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 its 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

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-related risk.

Finance, Risk and Audit Board Committee

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.

ACSI Board

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 proposed work program, including in respect of climate change, in consultation with Management. Its members provide advice on the goals and direction of ACSI's research, engagement and policy advocacy agendas, which include climate change risks and opportunities as a key area of focus. However, ACSI's policy agenda and strategy is ultimately overseen by the Board.

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 intersect 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, and well below 2 °C. We have advocated 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 relatively small, with emissions primarily generated from electricity use in one office space. Our Scope 1 & 2 emissions for FY23 were 9,288 kg/CO2 per sqm, calculated as ACSI's share of the scope 1 & 2 emissions for Level 23, 150 Lonsdale Street.

ACSI requires that the property manager for our office space has disclosed a Paris aligned net zero target for its office portfolio and can demonstrate a pathway for decarbonizing the properties. Based on the property manager plans for our tenancy, ACSI has an ambition for net zero emissions by 2030 for our 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 with the airline carriers where possible.

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

ACSI can have significant impact in reducing portfolio risk for our member funds and reducing emissions in the real economy through our company engagement 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, which is now embedded in the International Sustainability Standards Board (ISSB) sustainability and climate reporting standards.
- 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.

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 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 commissioned the Climateworks Centre to assess the level of alignment of ASX200 companies' short-, medium- and long-term targets to a 1.5C, Australia-specific scenario, as detailed below.

In 2023, ACSI has again produced its annual research report of the climate disclosure of ASX200 companies, set out further below.

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 and companies 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 2025, and to sourcing 100% renewable energy from long-term Power Purchase Agreements by 2025. 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.

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.

  Our standard supply agreements require that suppliers 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.
- Advocating for policies that better support the management of climate-related risk

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 whether 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. Priority company focus

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:

Research

Report	Objectives	Achievements
Promises, pathways & performance – climate change disclosure in the ASX200 This report identifies how companies are progressing in climate change management and disclosure across the following indicators: TCFD adoption, net zero emissions commitments, decarbonisation pathways and targets, carbon offsets, transition risk scenario analysis, physical risk assessment and the just transition.	This study highlights examples of better practice reporting and where gaps in reporting remain. It shows how well ASX200 companies are reporting on their climate change approaches and commitments.	ACSI conducts a comprehensive analysis of ASX200 company climate change disclosure. This research informs our engagement approaches and assists in ensuring informed dialogues between ACSI, its members and ASX200 companies.
Chasing 1.5 ACSI commissioned the Climateworks Centre to assess the level of alignment of ASX200 companies' short-, medium- and long-term targets to a 1.5C, Australia-specific scenario.	In this report, ASX 200 companies were assessed on whether they had instituted short-, medium- and long-term targets, and whether these targets were in line with a 1.5C scenario (derived from the *Decarbonisation Futures* 1.5C All-in scenario).	The report outlined that ASX200 companies must set more stretching targets if we are to achieve a 1.5C outcome. This research finding has informed our ongoing policy advocacy, fed into our engagements and driven our more focused analysis of offset disclosure in the Promises, Pathways and Performance research.
A just transition to a clean energy economy: Investor expectations and policy recommendations This research, undertaken with the assistance of an ACSI Working Group, is intended to set expectations and encourage appropriate policy settings. It included interviews with a range of domestic and international companies, communities, interested bodies and governments.	This research is intended to contribute to the development of a cohesive approach to a just transition by identifying investor expectations of listed companies. It defines the investment risk of an unjust transition, includes expectations of company actions and reporting as they approach a just transition, and sets out public policy recommendations to support a just transition.	This research outlined the role of companies, communities, investors and governments in encouraging the right settings for a just transition. ACSI advocated for the introduction of a Just Transition Authority, and has therefore welcomed the introduction of the Net Zero Authority. The company expectations have also been helpful in setting the tone for our engagement with ASX200 companies effected by the transition.

Company 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 ratchets expectations.

What progress has ACSI achieved?

In FY23, ACSI conducted 306 engagement meetings with 194 ASX300 companies, and another 13 meetings with NGOs to gain better insight into their concerns about company activities.

This included 81 meetings with climate priority companies, alongside broader engagement outside of this list on climate change where material.

As at 30 June 2023, ACSI's 30 high-risk climate priority companies demonstrated progress including 29 having now set various net zero commitments.

Whilst there are a range of influences on company behaviour, ACSI's engagement and priority areas typically include multiple climate-related objectives for companies. During the period, notable improvements in ASX300 companies include:

- There were six 'Say on Climate' advisory votes on climate held by companies during FY23 which was raised through ACSI engagement. Those companies put forward climate transition plans for a shareholder advisory vote with varying levels of shareholder support.
- All 30 priority companies have now either committed to or are already reporting their climate risks and opportunities using the TCFD guidelines. ACSI continues to engage with companies on the quality and depth of their TCFD analysis of material climate risks and opportunities.
- Majority of the target companies explicitly link or commit to link its executive incentive pay to climate change objectives.
- 22 of the 30 priority companies have set short-term targets for emission reductions and to drive their decarbonisation transition.
- All 30 of the priority companies have now set medium-term emission reduction targets or abatement ambitions, reflecting ongoing engagement with ACSI to further company transition pathways.
- 29 of the 30 priority companies have also now set long-term targets, these include targets to reach net zero operational Scope 1 and 2 emissions. There is one remaining priority company without a long-term target, which remains a priority and escalated focus for engagement with ACSI.
- ACSI and its members also engaged with a selection of companies in materially exposed industries on just and equitable transition pathways, to ensure that companies have plans and strategies in place for accelerated asset closures for affected workers and communities.

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

TCFD Reporting is at a record high, with 75% of the ASX200 (150 companies) committed to or already reporting against the TCFD framework (66% last year).

Net zero: 61% of the ASX200, or 121 companies, have made net zero commitments, compared to just 48% last year.
Australia's largest companies have committed to the transition, with 80% of the market capitalisation of the ASX200 having set targets to transition their companies to net zero emissions.

Targets: Medium-term (from 2026-2039) emission reduction targets have increased by 26% since last year. A 9% decline in short-term targets (to 2025) is due to both changes in the ASX200 index and to companies having met their short-term targets. Fourteen percent of companies with net zero commitments have no interim targets, which calls into question the credibility of their net zero commitments.
Scope 3 targets remain rare, with only 43 companies, or 22% of the ASX200, setting some form of Scope 3 target (up from 27 companies, or 14% of the ASX200 last year). However, 110 companies reported Scope 3 emissions, so their next step must be to develop strategies to reduce those emissions.

Carbon prices used for investment decisions: 41 companies from the ASX200 have set a carbon price that they disclose, is used in investment and capital decision-making, up 41% from last year.

Science-based targets aim to ensure emission reduction targets are externally verified to be consistent with climate science. Only 25% of the ASX200 (49 companies) have set a science-based target (up from 36 companies, 18% last year). This includes companies those with partial, verified or accredited targets and those which disclose they are science-based without accreditation. Another 5% have committed to updating their targets to be science based. Whilst the increase is positive, 71% of the ASX200 remains without science-based emission reduction targets.

Offsets: Carbon offsets form part of many companies' climate strategies, however disclosure on the quantity, type, projects and hierarchy of their use is limited. Forty-eight percent of companies make some reference to offsets, but only 29% refer to a hierarchy – that is, their stated intention to first reduce emissions through abatement and use offsets only for residual emissions.

Scenario analysis: There has been a significant increase in companies undertaking scenario analysis, with 118 companies (59%) of the ASX200 undertaking it (up from 88 companies, or 44% last year). Importantly, 91 of those companies (46%) use a 1.5°C or below 2°C Paris-aligned scenario (up from 76 companies or 38% last year).
Despite its importance in testing future business resilience to transitional and physical climate risks, the analysis (quality, depth, quantitative assumptions) and scenarios used vary, making comparison and assessment difficult.

Physical risk disclosure lags in quality and depth, with 118 ASX200 companies (59%) undertaking and disclosing some analysis of climate physical risk assessment (up from 84 companies or 42% last year). However only 61 companies (31%) provide disclosure deeper than a basic assessment (up from 41 companies or 21% last year). An example of better practice disclosure may include quantitative assessment of increased fire risks to regions under higher degree climate scenarios.

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 engages with regulators and policymakers to share its research, expertise on the climate-related risk faced by ASX-listed companies and the consequent investment risks. This work focuses on advocating for a regulatory environment that facilitates increased transparency and greater 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 to facilitate the achievement of the Paris Agreement goal. ACSI has undertaken advocacy work, and engaged with consultations, in relation to:

- The development of pathways to a net-zero emissions economy, sector pathways, including through our submissions to the Climate Change Authority, Safeguard Mechanism and the Australian carbon credit units (ACCU) framework consultations. We were also part of a joint finance industry statement supporting the design of the Safeguard Mechanism.
- Encouraging a managed transition, including the necessary frameworks, strategy and resourcing to drive an orderly, just and equitable transition through our report 'A just transition to a clean energy economy: Investor expectations and policy recommendations'. This report, an output of ACSI's Just Transitions Working Group, enhanced our advocacy to encourage the establishment of the new Net Zero Authority.
- Continuing to incorporate climate change as a systemic risk in corporate and financial regulation and disclosure frameworks through our strong support for mandatory climate reporting in recent submissions to the Australian Government and international standards bodies such as the International Sustainability Standards Board.
- ACSI has also been engaging in the process to develop the Taskforce for Nature-Related Financial Disclosures (TNFD) by making public submissions on the emerging TNFD Beta Framework. This is an ongoing process, and ACSI is working to improve investor understanding of nature-related risks, and how they interact with climate change. We also provided a submission to the National Biodiversity market consultation.

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), Australian Sustainable Finance Institute (ASFI), 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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