

11 April 2024

Department of Climate Change, Energy, the Environment and Water (DCCEEW)
National Adaptation Policy Office – Climate Adaptation Policy
Submitted via website

Dear Sir/Madam,

National Adaptation Plan – Issues Paper

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members are Australian and international asset owners and institutional investors with over AU\$1.9 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in managing ESG investment risk and exercising active ownership to strengthen investment outcomes. Active ownership, including the management of climate-related risk, allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

This submission draws on ACSI's long-standing practice of engagement with listed companies in relation to climate-related risks and opportunities, as well as detailed research into market practice. Our expertise is primarily in respect of Australian listed equities, with the focus on the ASX300, and our comments reflect that perspective.

Summary of ACSI's position

ACSI welcomes the release of the National Adaptation Plan Issues Paper ('the Issues Paper'). The physical impacts of climate change are projected to cost the Australian economy \$973 billion (in present day value) by 2050.¹ As universal investors, ACSI's members are exposed to the physical impacts of climate change directly, including via property damage and reduced productivity caused by weather extremes, and indirectly, such as through worse economic conditions or more expensive insurance.²

At present, adaptation plans tend to be fragmented, sector specific and unequally distributed. We consider the National Adaptation Plan to be an integral part of an overarching policy response to support:

- A unified national approach to adaptation.
- De-risking of investment in adaptation and resilience in response to climate and nature risks.
- The development of comparable and consistent data on physical climate risk underpinned by comprehensive methodology guidance.

Policy responses to climate change will need to address both mitigation and adaptation activities. ACSI notes that the National Adaptation Plan is one policy lever within a suite of climate-related legislation and regulation required to provide a policy environment that promotes climate resilience and supports decarbonisation in line with the goals of the Paris Agreement.

Economy, trade and financial system

ACSI welcomes the inclusion of the economy, trade and financial system, including investment markets and the institutional arrangements that govern them, as an area of focus in the National Climate Risk Assessment and the Issues Paper. Climate-change related risks are financial in nature and deeply embedded across the economy. As highlighted in the Issues Paper, climate science, information and data will act as enablers of adaptation action. For example, investors require comprehensive and comparable information on physical risk to manage exposure to climate risks and incentivise investment in adaptation. At present there is insufficient disclosure from ASX200 companies on their exposure to physical risk. ACSI research has found that physical risk

¹ Deloitte Access Economics, [Economic reality check: Adapting Australia for climate-resilient growth](#), January 2022

² IGCC, [Road to Resilience: An investor action plan for an adaptive and sustainable economy](#), August 2023

disclosure lacks quality and depth, with 59% of companies undertaking and disclosing some analysis of climate physical risk assessment, but only 30% providing information that went beyond a basic assessment.³

The forthcoming implementation of mandatory climate reporting will support detailed disclosure around climate risk, with more comparable and consistent data expected to be available. The requirement to report climate-related metrics, including the exposure to climate-related physical risk, whether acute or chronic⁴, will be a key policy to support the disclosure and availability of data on physical risk. However, while methodologies are being developed to support a shared understanding of physical risk, such as the Physical Climate Risk Assessment Methodology (PCRAM), further work is needed, in conjunction with industry, to develop a shared understanding better practice reporting. For example, guidance will be required on how reporters should disclose the assets or business activities that are vulnerable to climate risk. Approaches that reflect the challenges across different sectors will also be required, given that physical risks are generally location based⁵. Consequently, further guidance will be required on how to consistently disclose climate risk, including physical risk, and other relevant climate considerations.

ACSI considers that the National Adaptation Plan is one important support in de-risking investment in adaptation and climate resilience solutions. Further government action in terms of funding, regulatory recognition and incentives, as well as clear timelines for these, will be required to more fully support investment in these areas. Examples include establishing long-term resilience funding and broadening regulation to recognise adaptation investments as green or sustainable.

Natural environment system

ACSI welcomes the inclusion of the natural environment as an area of focus in the National Climate Risk Assessment and the proposals outlined in the National Adaptation Plan in respect of the natural environment. Robust regulatory frameworks related to nature are necessary to reduce nature-related risk. In particular, we support the National Adaptation Plan's acknowledgement that climate and nature risks interact. There should be a common approach to all policies and legislative frameworks in recognising the interconnection between climate and nature. We also support alignment in nature regulation across states and territories to support Australia in meeting its nature commitments. All nature-related regulatory frameworks should align with international standards, particularly the Kunming-Montreal Global Biodiversity Framework. We also encourage the Government to work with investors to support the scale-up of investment into nature-related solutions.

First Nations' values and knowledges system

ACSI welcomes the inclusion of a consideration of First Nations' knowledges, sciences and practices in the development of the National Adaptation Plan. We support the planned inclusion of conversations with First Nations peoples in order to 'embed First Nations' perspectives, priorities and experiences' (p.11 of the Issues Paper). The National Adaptation Plan is an opportunity for mutual benefit for First Nations communities and industry. For Australia to take full advantage of this opportunity, it is fundamental that First Nations communities are partners in the design and implementation of the National Adaptation Plan.

I trust our comments are of assistance. Please contact me or Kate Griffiths, Executive Manger – Research and Policy (kgriffiths@acsi.org.au) should you require any further information.

Yours faithfully



Louise Davidson AM
Chief Executive Officer

³ ACSI, [Promises, Pathways and Performance: Climate Disclosures in the ASX200](#), August 2023

⁴ Refer ASRS2 29(c) and Appendix A Defined Terms in [AASB Exposure Draft](#).

⁵ For example, investors, as universal owners will face challenges given their investment portfolios can span the globe therefore development of guidance and methodologies will be important to drive consistency in approach.