



## **Investors welcome Senate inquiry into carbon risk disclosure**

The Investor Group on Climate Change (IGCC) welcomes today's vote to establish the Senate Economics References Committee Inquiry into Carbon Risk Disclosure.

"This is an important milestone in recognising the wide ranging economic implications of climate change for Australia", said Emma Herd, Chief Executive Officer of the Investor Group on Climate Change (IGCC).

"Australia has a carbon intensive economy which is exposed to the regulatory, physical and market risks of climate change. Investors who are managing financial risk for the long term need to be managing for climate change. Good carbon risk disclosure is the foundation of good risk management", said Herd.

"The Paris Agreement finalised in December 2015 has fundamentally changed the investment landscape. When 195 nations agreed to a goal of limiting global warming to 2°C moving towards 1.5°C, it immediately became clear that all companies will need to stress test their commercial strategy for a two degree scenario and disclose to the market the risks and opportunities for their business."

"Australian business needs to move from qualitative statements on support for climate change to quantitative assessments of the financial impacts".

"This Senate Inquiry is timely given the establishment of the global Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosure (TCFD) established by Bank of England Governor Mark Carney and chaired by Michael Bloomberg. It is important that Australian business and financial regulators develop an approach to climate risk disclosure which is in step with global industry developments."

"The time is right for a stocktake of current practice to better understand how Australia is managing carbon risk across the financial system and where the economic impacts sit. Many countries have begun introducing mandatory carbon risk reporting for business. More and more companies are voluntarily reporting on the carbon impacts across their operations through a variety of mechanisms. Institutional investors are actively engaging with companies to better understand how climate change will impact their returns".

"Better collaboration between industry and financial policymakers on long term carbon risk management will increase Australia's carbon competitiveness and resilience to the economic impacts of climate change", said Herd.

The Economics Committee will report by 22 June 2016 and the Terms of Reference are attached.

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## **Attachment**

### **Terms of Reference**

That the following matter be referred to the Economics References Committee for inquiry and report by 22 June 2016:

Carbon risk disclosure in regard to:

1. (a) current and emerging international carbon risk disclosure frameworks;
2. (b) current carbon risk disclosure practices within corporate Australia;
3. (c) Australian involvement in the G20 Financial Stability Board discussions on carbon risk impacts for financial stability;
4. (d) current regulatory and policy oversight of carbon risk disclosure across government agencies; and
5. (e) any other related matters.