Investor Group on Climate Change

Media Release

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Investors: corporate climate risk disclosure must be improved

Australian and New Zealand investors want significantly bolstered climate change risk disclosure from companies, including clear demonstration of how it is being used to inform business strategies and decisions.

A new report, encompassing the views of over 50 investors from 22 organisations with more than $1.1 trillion in collective funds under management, finds that while climate risk disclosure has become an increasing feature of corporate reporting, significant improvements are needed to make it more useful for decision-making, risk assessment, portfolio management and company engagement.

In particular, investors want the next generation of company reporting through the Taskforce for Climate-related Disclosures recommendations and other credible climate disclosure frameworks to:

- Demonstrate board, director and executive level skills and expertise in climate change
- Report links between climate-related performance and executive remuneration
- Demonstrate links between risks and opportunities identified and the company's strategic and organisational response
- Extend reporting of emissions metrics and targets to scope 3 emissions, where material
- Report on both transition and physical risks, costs and implications
- Provide auditing and assurance of results as it becomes more important

IGCC Chief Executive Officer, Emma Herd, said there was a strong view that a consistent approach to climate risk disclosure and the scenarios that underpins it was not going to develop voluntarily.

"Around the world different jurisdictions are working out how to ensure consistent, clear and investable climate risk disclosure that translates to action in capital markets," Ms Herd said.

"Some markets are using voluntary guidance developed by regulators. Others, like New Zealand and Canada, are moving to mandatory disclosure regimes, something which should now be considered in Australia given the systemic risks climate change poses to our economy."

Head of Ethics Research at Australian Ethical, Stuart Palmer, said: "Improved disclosure is needed for investors to manage climate change risk in their portfolios and make accurate assessments of the performance and prospects of companies.

"Critically, investors want companies to show not just that climate risk is being assessed but how this is informing and changing their strategies and decision-making from board governance to capital expenditure to future business opportunities."

Principal, Policy and Strategy at Energetics, Olivia Kember, said: "Through this work we found that investors are already using climate disclosures, not just to engage with companies on their climate change responses, but also to inform their own integration of climate risk in investment decisions.

"Judging by the speed of evolution in climate risk analysis, this is only going to increase. A company that can show a clear pathway from its understanding of climate risk to its strategy and performance presents an increasingly valuable investment proposition."

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The report was prepared by the Investor Group on Climate Change (IGCC) and energy and climate risk consultancy Energetics on the back of surveys and workshops with investors.

The report – *Full Disclosure: Improving corporate disclosure on climate risk* – can be read here.

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