



Investor  
Group on  
Climate  
Change

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# State of Net Zero Investment 2026

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Analysis of \$3.5 trillion under Australian management

Published June 2026

# About the Investor Group on Climate Change.

We are the leading network for Australian and Aotearoa New Zealand investors to understand and respond to the risks and opportunities of climate change.

Our members include our countries' largest superannuation and retail funds, specialist investors and advisory groups.

Their beneficiaries include more than 14.8 million Australians, and millions more New Zealanders.

IGCC members have almost \$5 trillion in assets under local management.

## About this Report

Since 2017, IGCC has surveyed Australian institutional investors annually on their climate-related investment practices. State of Net Zero tracks progress against recognised frameworks, identifies barriers, and monitors trends over time. The FY26 survey was distributed in September 2025 to Australian institutional investors, including global managers with Australian operations. Responses closed in January 2026. The 55 respondents combined, manage \$3.5 trillion in assets on behalf of Australians. Refer to the methodology for more detail.



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# From The CEO



**Rebecca Mikula-Wright**  
CEO, IGCC & AIGCC

This year's State of Net Zero report is packed with important insights for investors, policymakers and business decision makers. If you are looking for a read on where Australia's capital markets are heading, our yearly report on how institutional investors are managing climate risks and opportunities remains the most useful resource available.

It's based on survey responses from investors managing A\$3.5 trillion from Australia. That data is combined with our analysis based on deep engagement with IGCC members and experts from across the ecosystem.

We identify the key trends, what's driving those trends, and what they will mean. Institutional investors steward the long-term savings of millions of Australians; so their decisions on where capital flows have major consequence across the real economy.

Here's what jumped out to me.

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## Investors see the move to net zero is on, but Australia can't take their capital for granted.

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Investors increasingly want exposure to renewables, energy storage, and transmission, this data shows. Appetite is also up for green infrastructure, green property, low carbon transport, and almost every category of climate solution. If investors' appetites are met in Australia, it will flow through to lower power prices and new business growth across the economy.

But Australia is competing in global capital markets, and there's a 20-point jump in investors looking to Asia for opportunities. Although Australia and Europe are equally attractive, investors are finding few local opportunities with attractive return profiles, and they are concerned about Australia's policy and regulatory uncertainty: The fractured consensus on net zero may be undoing the government's good work setting a 2035 emissions reduction target last year. All the more reason to do a good job in the upcoming review of the safeguard mechanism and to ensure Australian capital gains tax settings don't increase our sovereign risk.

None-the-less, Australian investors manage the world's fifth-largest pool of capital, on track to be the second largest by 2031. They need appropriate geographic balance in their portfolios so they're looking with strong interest at our neighbours' transitions to resilience and net zero. IGCC and the Asia Investor Group on Climate Change cover Australia, New Zealand, and 11 Asian markets, so we're uniquely well-placed to help Australian investors understand and connect to transition opportunities across our region. We plan to run study tours of climate investment opportunities in China and India later this year. IGCC members can contact us to find out more. Investors who aren't yet members are welcome to reach out to discuss joining our network.

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## Investors are being much more careful about setting targets and are very sophisticated in their follow-through.

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Fewer investors are comfortable saying they've set net zero by 2050 targets and have done rigorous physical risk assessments. However, our discussions throughout the sector indicate that there's a lot more rigour behind the targets and plans that investors do publish. They're not, for example, prepared to say their portfolios will reach net zero emissions by 2050 if governments' policies and businesses strategies aren't aligned with that scenario, so that the real economy might miss that target.

Investors are acutely aware that their portfolios will perform better if Australian and global emissions come down, and if commerce and community are resilient to the climate damage that is already unavoidable. Over the nine years that we've been collecting data, investors have made excellent progress building in-house capacity to manage whatever climate risks they can control within their portfolios. So, they're increasingly looking for business stewardship and policy engagement that is sophisticated enough to drive down the additional systemic risks that will harm returns.

This is directly aligned with IGCC's strategy to 2030. Investors understand the climate science and the economics. As this year's report shows, they're setting responsible targets and plans for their own portfolios and are increasingly acting on the systemic interventions and priorities that will move the whole system so they can continue to deliver the financial returns their beneficiaries and clients expect.

Please do absorb this excellent report and take the insights into your work towards resilience and net zero.

# A Message From Our Headline Sponsor

# ISS STOXX



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**Till Jung**  
Managing Director, Head of Sustainability Business,  
ISS STOXX

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At ISS STOXX, we are proud to support the Investor Group on Climate Change's *State of Net Zero* report and to continue partnering with IGCC as they provide practical insights for institutional investors navigating the transition to a low-carbon economy.

The context for net zero investing continues to evolve. What began as a climate — and largely economic — imperative is now shaped by a wider set of forces that are influencing capital allocation, risk management, and long-term strategy. Against this backdrop, institutional investors are sharpening their focus on how commitments translate into execution. The conversation is less about intent alone and more about the systems, processes, and decisions that sit behind credible transition plans.

In Australia, the introduction of mandatory climate disclosures has accelerated this shift. Investors are placing greater emphasis on governance, data quality, controls, and assurance, alongside the practical task of aligning reporting with a nationally consistent regime. These changes are prompting closer scrutiny of internal structures and decision-making, helping to embed

climate considerations more firmly across investment and stewardship functions.

In this context, the *State of Net Zero* report plays a vital role. By surveying Australian institutional investors year after year, IGCC provides a clear view of how commitments are being translated into action — highlighting areas of progress, evolving priorities, and where investors are strengthening strategies.

For asset owners and asset managers alike, this report serves as a practical benchmark. It helps cut through complexity and noise, offering a grounded view of peer approaches and emerging practices at a time when expectations from regulators, beneficiaries, and other stakeholders continue to rise.

We would like to thank IGCC for their continued leadership and commitment to delivering this important body of work, and to all investors who contributed their time and insights to the survey. We are pleased to support a report that strengthens transparency, informs decision-making, and ultimately contributes to a more resilient and orderly transition to a low-carbon economy.

# Executive Summary

## Investor climate practices remain strong, but new legislation and uncertainty are prompting caution

Two key measures of investor climate practice have continued to improve.

For the first time, more than 90% of investors<sup>1</sup> have a climate policy. And the percentage of investors publishing standards-aligned climate disclosures continued to increase.

As investors review their climate disclosures and commitments in light of newly legislated standards, however, there has been a drop-off in some of our climate practice indicators.

The new disclosure regime has prompted a stronger focus on ensuring disclosures are evidence-backed and implementation-focused, a positive development for market confidence.

## Rigorous climate governance is no longer discretionary

Measured against most indicators, investors strengthened climate governance structures in 2025.

More than two-thirds of asset owners

- have formally incorporated climate responsibilities into their board charters.
- regularly provide climate reports to their boards that reference the financial implications of climate change.

About two-thirds of all investors said they had included formal climate change responsibilities in board role descriptions or terms of reference.

This greater board-level oversight is creating a cascade effect.

As directors request updates on climate-related financial risks and transition progress, investment teams are incentivised to integrate climate into portfolio construction, capital allocation, and risk management — not as a parallel workstream, but as a core input.

## Investors are adopting more sophisticated engagement strategies

The vast majority of Australian investors continue to engage with companies on climate. However, our findings show that the manner of their engagement is evolving.

Investors are broadening their engagement beyond individual companies and increasingly engaging across value chains.

There have also been changes in engagement topics.

Transition strategies, physical risk management, and progress against targets remain the leading topics, but board oversight and capital allocation are gaining ground.

## Policy progress has helped, but investors see headwinds

Despite significant recent policy reforms, investors remain largely downbeat about conditions in Australia for climate investing.

Almost three-quarters of respondents cited there were a shortage of climate-aligned investment opportunities offering appropriate risk-return profiles.

Investors are not confident that Australian governments will be able to stick to scientifically credible emissions reduction targets over the long term.

Without ambitious, science-based targets that will clearly be durable across political cycles, investors are confronted by significant levels of uncertainty.

Investors are also concerned about gaps in the government's Net Zero Plan and six sector decarbonisation strategies; their concerns extend to implementation challenges for these plans.

Investors are also calling for broader decarbonisation signals — such as a whole-of-economy carbon price — that extend beyond the sectors currently covered by net zero plans.

## Private capital is ready to be mobilised for clean energy and climate solutions — if barriers are removed

Nearly half of asset owner respondents have a formal commitment or target to increase the volume of their climate solutions investments. Appetite for renewables and other climate solutions has increased.

However, few investors consider that last year saw any progress in removing barriers to capital allocation for climate solutions.

Removing policy and institutional barriers to climate solutions investment is key to mobilising the private capital needed to fund the economic transition.

Australia will need capital investment totalling up to \$630 billion to meet its 2035 climate targets. Australia's superannuation sector is currently valued at \$4.5 trillion

<sup>1</sup> Throughout the report, "investors" refers to asset owners and asset managers combined unless otherwise specified.

and is projected to become the second-largest pension pool in the world in the 2030s. It is therefore a significant potential source of capital — if barriers are overcome.

## **Fossil fuel companies are under ever-increasing scrutiny**

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An increasing proportion of investors are screening out fossil fuel companies from at least part of their portfolio.

More than two-thirds of investors apply negative screens or exclusions to part of their portfolio, such as sustainable or ethical funds, representing a significant increase in just one year. Thermal coal exclusions are most common.

However, portfolio-wide exclusions of fossil fuel activities are only applied by a quarter of investors, and corporate engagement to encourage a transition away from fossil fuels remains the dominant approach.

The prevalence of corporate engagement with fossil fuel companies shows investors are clearly communicating their expectations on matters such as transition planning and capital expenditure.

## **Investors aren't just assessing physical climate risks in their portfolios; they're acting on them**

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Compared with the previous survey year, more investors are integrating physical risk considerations into investment processes. They are engaging with companies on how they manage physical climate risks.

Beyond risk management, interest in adaptation and resilience solutions is growing. Over one-third of investors identified climate adaptation as an important investment opportunity. More than a quarter of investors have already allocated capital to adaptation-related solutions.

## **There is a growing appetite for climate-aligned investment in Asia**

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Asset owner interest in opportunities to invest in the transition in Asia has increased since FY25, with a 20-percentage point increase in those rating the region as “attractive” or “highly attractive” for climate solution investment.

This indicates a growing recognition among asset owners that Asia's decarbonisation is increasingly relevant to their climate goals and portfolio outcomes.

This shift in sentiment signals an opportunity and an imperative for the industry to address the structural and institutional barriers that constrain capital deployment to the region.

## **Looking ahead**

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The energy transition is reshaping how investors assess risk and allocate capital. Geopolitical instability, particularly in the Middle East, is generating significant shocks to global LNG, oil, and diesel markets.

This is reinforcing investor interest in electrification and low-carbon liquid fuels as a national security priority. However, it is also creating near-term volatility that investors, particularly asset managers, must accommodate.

In addition, countries are competing for clean energy workforces, components, and secure supply chains. And they are doing so at a time of geopolitical instability across key trade corridors.

The government's decisions between now and 2030 will shape Australia's investment environment for years to come.

Key elements in Australia's emissions reduction toolkit, including the Safeguard Mechanism (which applies a carbon price on approximately 30% of Australian emissions) and a proposed Carbon Border Adjustment Mechanism, are due for review in the coming financial year.

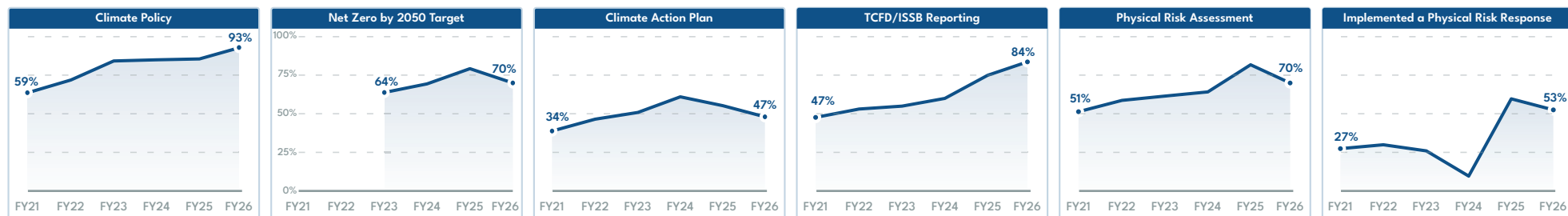
Alongside this, other significant potential reforms include changes to the Your Future Your Super performance test, capital gains tax treatment, the diesel fuel rebate and the introduction of a resource rents tax more consistent with OECD norms.

The current geopolitical and economic environment may create political pressure to reduce government climate policy ambition. However, the survey indicates investors want stronger policies, not weaker ones.

# Investors' Strategic Levers for Climate Progress

# 1. Investor Commitments and Disclosures

Figure 1. Climate practice indicators<sup>2</sup>



These indicators represent core measures of investor climate practice that IGCC has tracked over time. Figure 1 reflects IGCC member respondents only. Data from Chapter 2 onwards draws on the full survey sample. Refer to Appendix Figures 1-6 for asset owner/manager breakdowns.

## The trend: Commitment is holding, but nuance exists

Two key measures of investor climate practice have continued to improve.

For the first time, more than 90% of investors have a climate policy, and the percentage of investors that issue climate disclosures that align with widely used reporting frameworks has continued to increase.

The latest survey identified drop-offs in several other standard measures of climate practice tracked for some time, however.

For example, fewer investors publish current net zero targets, fewer have a climate action plan, fewer are carrying out physical risk assessments, and fewer have implemented a physical climate risk response.

## The drivers: A reset reflects changes to legislation, not a retreat

Qualitative survey responses from investors indicate that the drop-offs in activities such as transition planning and target setting are largely a result of managing challenges around more stringent disclosure requirements.

Some investors may also have less confidence in the global economy's ability to decarbonise by 2050, which makes setting targets more difficult.

IGCC's engagement with members suggests many investors are reviewing and revising their disclosures to align with standards such as the new, mandatory climate risk disclosure standard known as AASB S2.

Members are also strengthening their climate governance arrangements, for example, by formalising board climate responsibilities, before committing to new or revised plans and targets (refer to the Investor Governance and Action chapter).

These actions — reviewing disclosures and strengthening governance — take time.

In addition, Australia's disclosure framework is still evolving, with Treasury guidance on best practices for climate-related transition planning still under development.<sup>3</sup> Many investors are poised to move fast as the new framework becomes more clearly defined, with an additional 20% of respondents planning to produce a climate transition plan within the next 12 months.

<sup>2</sup> Sample size varies year-on-year due to changes in survey response rates and membership composition, which should be considered when making year-on-year comparisons.

<sup>3</sup> Australian Government: The Treasury (2025, August), [Climate-related Transition Planning Guidance: Consultation Paper](#).

These findings bolster the view that the drop-off in some of the key climate practice indicators reflects a more disciplined approach to disclosures and pledges and not waning in commitment. In line with global best practice, investors are shifting from broad pledges to more credible, decision-useful frameworks grounded in governance and accountability.

Although new statutory climate disclosure requirements are the main reason that investors are taking more time to prepare their plans and commitments, they aren't the only factor.

Investors have also become more cognisant of the challenges involved in developing credible, decision-useful reports. Tasks such as physical risk assessment are becoming more complex, as institutions confront data gaps, modelling limitations, and resourcing constraints.

In short, while the anti-ESG movement in the US has generated uncertainty in some markets, the data suggests it is not a significant driver of the drop-offs in ambition measures. The changes do not reflect a politically driven retreat. They reflect a demand for more rigour — a demand coming from both governments and boards.

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### **The implications: More credibility — with a trade-off on pace**

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Investors are working to bring more credibility to their disclosures, with a stronger emphasis on evidence-backed statements and implementation-focused reporting.

While some measures of ambition have declined as this reset takes place, governance structures have strengthened. This indicates investors are building the foundations for higher-quality, evidence-based climate action. In future, this will lead to:

- more confidence in investor disclosures
- more confidence in the credibility of transition plans
- better alignment between capital allocation and climate outcomes.

The trade-off is timing. As investors strengthen governance and frameworks, implementation may slow in the short term. But over time, this should enable more effective deployment of capital and more durable transition outcomes.

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### **IGCC's work in this area: Building capability**

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We are supporting efforts by investors to align with the AASB S2 climate disclosure standard and to strengthen their governance, reporting, and transition planning procedures.

We are developing guidance on board climate competency, capital allocation, and physical risk and resilience to help investors embed climate change into decision-making.

We are also working to deliver a clear, consistent policy environment that reduces uncertainty and enables investors to accelerate the transition.



# From Paper Decarbonisation to Real-World Impact



## The challenge: Meeting net zero commitments within tight portfolio constraints

A large superannuation fund set out to strengthen the climate approach within the passive sleeve of its listed equities portfolio. The objective was not simply to reduce financed emissions on paper, it was to understand whether the portfolio could be positioned to support real-world decarbonisation while remaining compliant with Your Future Your Super (YFYS) regulatory requirements.

Those requirements set hard boundaries. The portfolio had to maintain a passive-like approach: low cost, low turnover, minimal tracking error, and minimal deviation from YFYS benchmarks in sector and country weightings. Any climate methodology would have to work within these constraints, not around them.

## The question: Can forward-looking metrics do what backward-looking ones cannot?

The fund's existing approach, in common with many institutional investors, relied primarily on historical carbon emissions data. The question was whether a shift to forward-looking metrics could better support net zero alignment and contribute to genuine emissions reduction in the real economy, rather than achieving portfolio-level improvements with limited impact beyond portfolio-level emissions reductions.

This distinction between portfolio decarbonisation and real-world decarbonisation, is gaining traction across the institutional investor community. Reducing financed emissions by reallocating capital does not, in itself, accelerate the transition. The more demanding objective is to support companies and markets in actually cutting emissions.

## The finding: Real-world alignment and risk-return discipline are not in conflict

✓ Improved net-zero alignment

✓ Lower ESG risk metrics

✓ Lower overall emissions

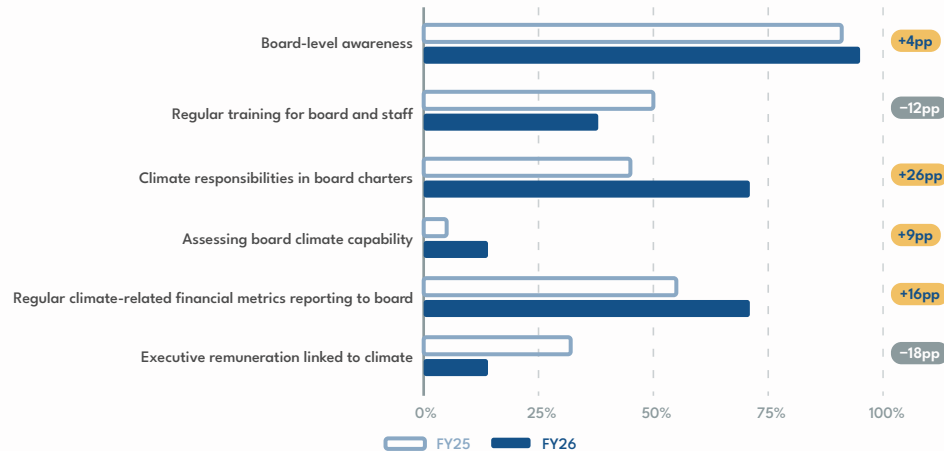
✓ Stronger SDG alignment

Working with a range of investment managers and data providers, the project evaluated emerging approaches to real-world decarbonisation within passive equities. One provider demonstrated that, for a comparable level of tracking error, a portfolio could simultaneously improve net zero alignment (in accordance with the Net Zero Investment Framework 2.0), reduce ESG risk metrics, lower overall emissions, and strengthen SDG alignment.

The finding is significant: improved net zero alignment is achievable within the risk-return constraints of a YFYS-compliant passive portfolio. The trade-off between climate ambition and investment discipline that many investors assume to be unavoidable may be less binding than previously thought, provided the right metrics and methodologies are applied.

## 2. Investor Governance and Action

**Figure 2. Asset owner climate-related governance structures**



Notes: Asset owners recorded uplifts across most governance indicators, with the strongest gains in formal board responsibilities and financial metrics reporting. Both reached 71% in 2025, while executive remuneration linkage and board training declined.

### The trend: Rigorous climate governance is no longer discretionary

As the source of climate-related investment mandates, asset owners sit at the head of the investment chain, and their governance practices ultimately shape how capital is directed, including how asset managers deploy it. They are therefore the primary focus of this analysis.

Measured against most indicators, asset owners report strengthened governance structures in 2025.

For example, more than two-thirds of asset owners have formally incorporated climate responsibilities into their board charters, and more than two-thirds regularly provide climate reports to their boards that contain financial metrics.

Not all indicators moved in the same direction, however. The percentage of asset owners linking executive remuneration to climate action declined in FY26, as did the percentage providing regular climate change training.

These declines aside, the broader trend extends beyond asset owners.

Asset managers are also embedding stronger, formalised climate governance measures (Appendix Figure 7).

Regular reporting by asset owners to boards and senior management on climate-related financial metrics has also risen, from 55% in FY25 to 71% in FY26.

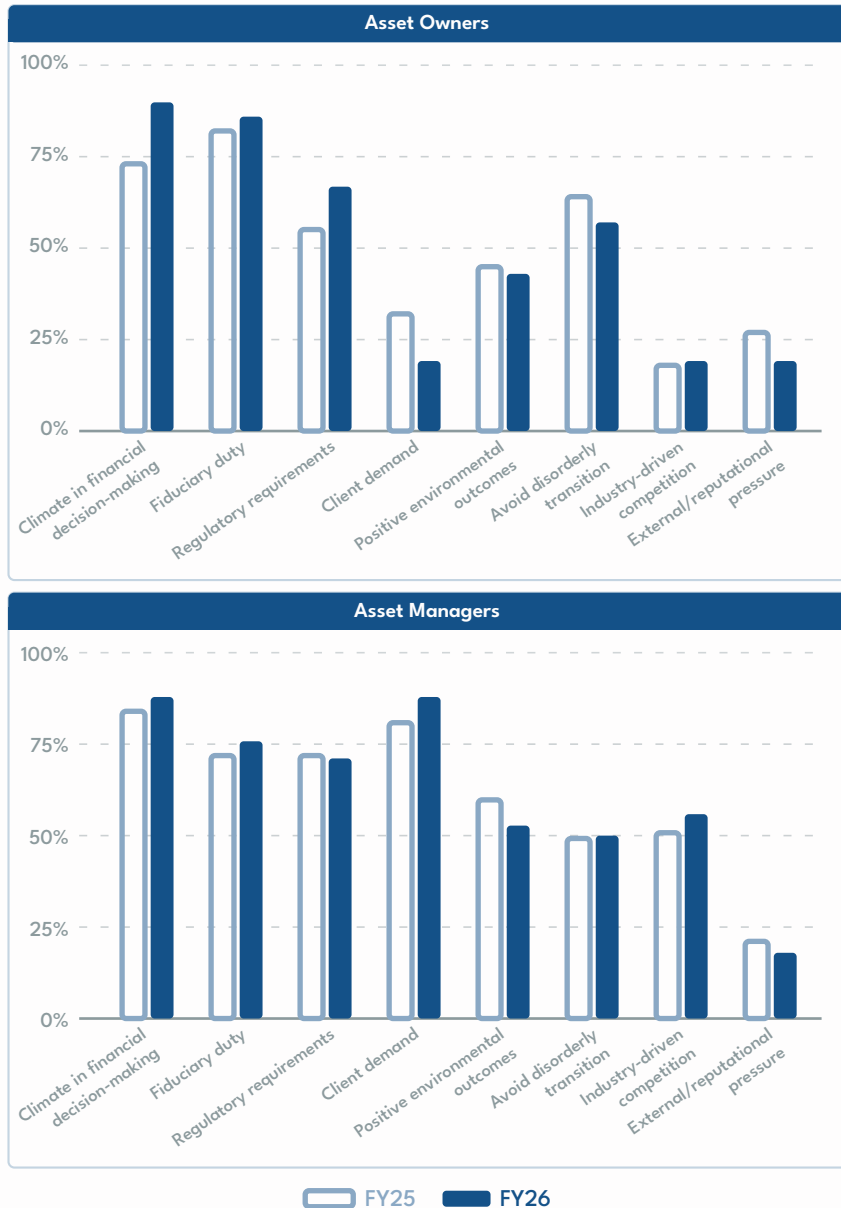
This formalisation of governance structures is underpinned by an overwhelming recognition of climate as a financially material factor.

The integration of climate risks into financial decision-making was cited by 90% of asset owners and 88% of asset managers, with fiduciary duty close behind at 86% for asset owners and 76% for asset managers.

This is not merely a compliance response. Investors are embedding climate considerations into the core of financial decision-making, reflecting a broad and deepening norm that climate risk is investment risk.

Climate also appears to be moving beyond disclosure requirements and being strategically embedded into investment policy. Based on survey responses, the share of investors publicly publishing a climate investment policy rose from 66% in FY25 to

**Figure 3. Top drivers for climate integration — asset owners and asset managers**



80% in FY26, with asset owners and managers both recording double-digit increases (Appendix Figure 2).

Australian investors also perform strongly against global peers. They rank among the leading regions in board oversight of climate, according to the [Global State of Investor Climate Action](#) report by the Investor Agenda (a global coalition of IGCC’s investor peer networks).

Australian institutional investors are formalising board ownership of climate, and this, in turn, is driving greater management accountability.

This formalisation of governance structures is increasingly accompanied by greater external transparency, with over three-quarters of investors now producing ISSB-aligned reporting annually, up from just over half in [FY24](#).

However, assurance practices remain limited. Just under a quarter of investors conducted external assurance on their climate reporting (Appendix Figure 4).

**The drivers: Stronger regulation and more quantifiable impacts**

Regulation is creating more explicit accountability. The AASB S2 climate disclosure requirements are increasing the urgency for investors to build the governance and measurement infrastructure needed to report against mandatory standards.

Nearly seven in ten investors cite regulatory requirements as a key driver of governance improvements. Boards also recognise that compliance requires more than data collection. It requires regular oversight of climate-related financial metrics and the delivery of climate transition plans.

In addition, the majority of Australian institutional investors have made public net zero commitments (see the Commitments and Disclosure chapter), and governance formalisation helps operationalise those commitments.

In addition, investors with multi-decade time horizons increasingly recognise that climate impacts, both transitional and physical, are materialising within their investment timeframes.

Improved data, scenario modelling tools, and forward-looking frameworks are helping investors assess climate risk with greater rigour.

As climate risk increasingly becomes quantifiable, it shifts from a reporting obligation to a core input in investment risk and opportunities analysis and in ongoing strategic evaluation of an investor’s transition planning.

## The implications: Board ownership and oversight are reshaping capital allocation and stewardship

When climate becomes a standing board agenda item with defined responsibilities and regular financial reporting, it ceases to be a compliance function and becomes a strategic and financial imperative.

Board-level oversight creates a cascade effect. As directors request updates on climate-related financial risks and transition progress, management teams are licensed to integrate climate into portfolio construction, capital allocation, and risk management — not as a parallel workstream, but as a core input.

This creates durable accountability loops. Formal board ownership sets expectations on portfolio alignment, financed emissions, and climate opportunities that require investment and risk stewardship teams to deliver consistent data, analysis, and action. Crucially, it also justifies the resource allocation needed to do so, building internal climate expertise, data infrastructure, and capability across functions beyond ESG teams.

Stronger governance is also translating into more sophisticated stewardship.

Our research also shows that the share of investors integrating climate into their voting policies has nearly tripled in two years to 60% in FY26. The pre-declaration of voting intentions, while still a nascent practice at 14% among asset owners, has shifted up from zero in just one year.

This trajectory mirrors the actions of leading European institutional investors, where strengthened board-level climate mandates have been followed by expanded voting and engagement programs.

For asset owners in particular, strengthened governance is translating into clearer signals to the market that climate is important. Board-level climate strategies provide the mandate to hold asset managers accountable for transition planning implementation, reinforcing climate integration across the investment value chain.

In this way, governance at the asset owner level becomes the mechanism through which climate ambition flows through to portfolio-level action.

## IGCC's work in this area: Supporting the shift from governance to action

IGCC's Investor Practice program supports members in building the governance foundations and implementation capabilities required for credible transition planning. This includes capacity building, peer learning, and cross-value chain collaboration to strengthen investor practice.

The 2026 four-part Masterclass series focuses on mainstreaming climate across investor organisations. It clarifies roles and responsibilities across functions and builds capability across HR, communications, finance and investment, and risk and strategy teams. This will help to embed climate across core organisational processes.

Recognising that asset owner governance will translate into asset manager execution, IGCC's forums facilitate engagement between asset owners and managers, enabling discussion of barriers and expectations across the investment value chain, and supporting the shift from governance frameworks to portfolio-level action.

## The Brunel Joint Statement

The People's Pension, Brunel Pension Partnership and Scottish Widows have taken the lead in developing a global joint statement articulating expectations on the implementation of climate stewardship by asset managers, demonstrating how governance formalisation drives market-wide change. Asset owners with board-mandated climate strategies are holding their managers accountable, cascading climate integration across the investment value chain.

[Read the Joint Statement](#)

## Asset Owner Support Letter for NZAM

Extending beyond stewardship expectations, a separate January 2026 statement coordinated by Brunel, with over 50 asset owner signatories representing US\$3.7 trillion in AUM, directly calls on asset managers to reaffirm their Net Zero Asset Managers initiative commitments, signalling that board-level climate mandates are increasingly being used to hold managers publicly accountable on net zero delivery.

[Read the letter](#)

# Overlaying Climate Risk and Transition Readiness: Implications for Investors

# ISS STOXX

## Investors face two distinct questions about climate transition: how exposed are companies to climate risks, and how prepared are they to navigate those risks?

An analysis by ISS STOXX researchers of over 8,000 companies indicates that exposure and readiness do not necessarily align. Such a situation creates both hidden opportunities and overlooked risks.

Overlaying both emissions exposure and governance capacity reveals which companies can navigate transition pressure and which ones will struggle despite appearing well-positioned on emissions alone. This combined assessment identifies opportunities that emissions-only approaches miss and risks that traditional sustainability metrics overlook.

The analysis combines ISS STOXX climate scenario data with governance and operational indicators across three phases.

- Phase 1 measures climate risk by comparing each company's projected 2020-2030 emissions against its cumulative allocated budget under the NGFS REMIND "Net Zero 2050" pathway (a globally recognised scenario representing 1.5°C alignment to 2050).
- Phase 2 evaluates transition readiness across two dimensions: what companies disclose and what they actually do
- Phase 3 overlays climate risk with transition readiness.

The overlay clarifies that companies with identical climate risk exposure can have radically different positioning depending on organisational capacity. Determining transition readiness identifies which high-risk companies have the organisational capacity to manage transition pressure and which low-risk companies lack the infrastructure to sustain performance as requirements evolve.

Portfolio construction that considers only company emissions could exclude companies that overshoot their budgets, regardless of organisational capacity. One-third of the analysed companies that overshoot their budgets have strong governance infrastructure but would be excluded by an emissions-only approach.



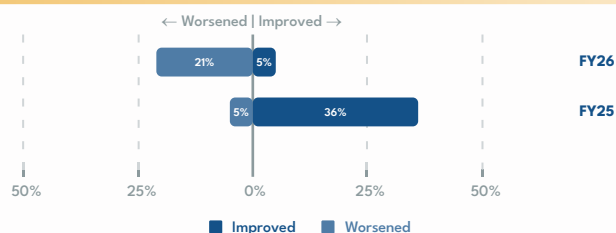
Meanwhile, these emissions-only approaches also accept companies that are within their budgets without assessing organisational capacity. Such companies might look aligned today, but lack governance maturity to sustain performance. The result is that portfolios may miss credible transition opportunities while holding hidden vulnerabilities.

For engagement strategy, the company profiles reveal where resources matter most. Companies with strong capacity today are likely to outperform as transition pressure intensifies and organisational infrastructure becomes more visible. Companies with hidden weaknesses face mounting risks that valuations do not yet reflect. Early assessment provides positioning advantage before these factors are fully priced into markets.

For more on this analysis, see "Climate Risk and Transition Readiness: Why Emissions Data Alone Misses Half the Story" in ISS STOXX's [Actionable Insights: Top Sustainability Themes in 2026](#).

# Investors and the Policy Environment

**Figure 4. Asset owner views on barriers to climate investing over the previous 12 months**



Notes: FY 26: 74% of asset owners said barriers remained the same. FY 25: 55% of asset owners said barriers remained the same.

## The trend: Investors remain downbeat

The recent years of policy progress have not created the widespread confidence and conditions that investors need to increase capital flows to renewable energy and other climate solutions.

Over the past 18 months, the federal government has adopted a 62–70% emissions reduction target for 2035. It has released six sector decarbonisation plans, introduced a mandatory climate-related financial disclosures regime, and released Australia's first National Climate Risk Assessment (NCRA) and accompanying National Adaptation Plan.

Yet institutional investors remain largely downbeat about conditions in Australia for climate investing.

Almost three-quarters of respondents considered there were a shortage of climate-aligned investment opportunities that offered appropriate risk-return profiles (Figure 5).

Overall, almost three-quarters of asset owners reported no progress in removing barriers<sup>4</sup> to climate investing in FY26, with about one in five saying investment conditions had worsened.

A third of all asset managers reported that investment conditions had worsened, although 29% said they had improved (Appendix Figure 8).

More than half of all respondents identified policy and regulatory uncertainty as a barrier, a 16-point increase on the figures from FY24, which was the best of the last five years (Figure 5).

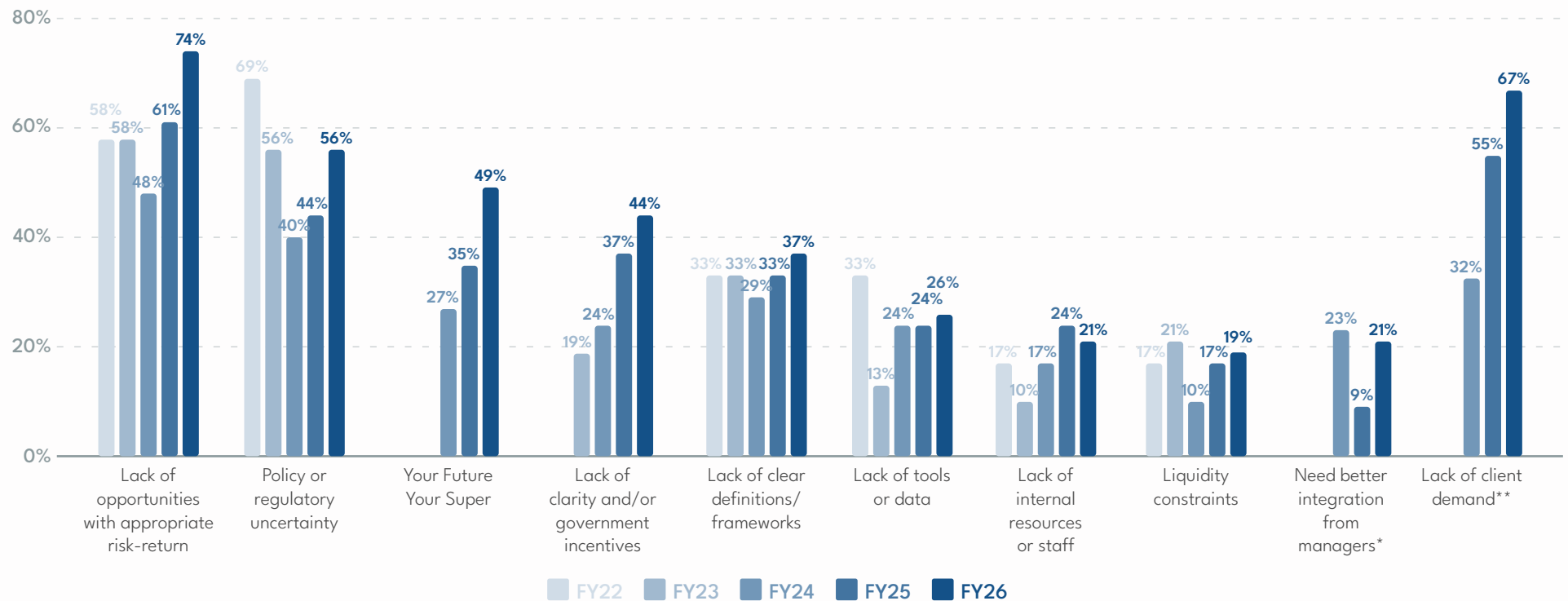
One of the more striking shifts in this year's survey data is the divergence between asset owners and asset managers on the Your Future, Your Super (YFYS) performance test as a barrier to climate-aligned investing.

Among asset managers, significantly more asset managers nominated YFYS as a barrier to climate investment in FY26, compared to FY25. In contrast, fewer asset owners nominated YFYS as a barrier in FY26, compared to FY25, albeit modestly.

The data show mixed signals on adaptation and resilience policy priorities. On public-private mechanisms to unlock resilience investment, asset managers expressed notably stronger support than asset owners (54% vs 26%) and for an improved overall policy approach to physical risk, 38% vs 16% (Appendix Figure 9).

<sup>4</sup> Barriers relate to the external government policy and regulatory environment, market structure, and institutional constraints.

Figure 5. Barriers to climate-aligned investment



Note: \*Asset owners only, \*\*Asset managers only.

## The reason: Concerns about targets and policies

Respondent concerns about investment conditions appear to defy recent positive policy developments.

Three factors may explain why headline policy reform has not translated into improved investment conditions for renewables and climate solutions.

Firstly, many investors want to see Australian governments with emissions reduction targets that are scientifically credible.

Almost half of the surveyed respondents stated that science-backed 1.5°C-aligned targets need to be a government priority. Ambitious, science-based targets that will clearly be durable across political cycles are one of the prerequisites for investors making a confident investment case for accelerated clean energy and climate solutions adoption.

Secondly, investors are concerned about gaps in the government's Net Zero Plan and six sector decarbonisation plans, and they are concerned about implementation challenges for these plans.

A clear majority of investors therefore want broader decarbonisation mechanisms — including a whole-of-economy carbon price (extending beyond the facilities currently

covered by the Safeguard Mechanism). A clear majority also supported phasing out fossil fuel subsidies, and just under half want the government to establish timelines to phase out the use of fossil fuels.

Thirdly, investors are seeking progress on detailed implementation of targets and plans. Over half of respondents note planning and regulation as a barrier to climate-aligned investing, a nod to slow-moving governance institutions. This also highlights the need for the timely implementation of the National Electricity Market (NEM) Review on post-Capacity Investment Scheme (CIS) market settings. Government subsidies for renewable energy can only stimulate investment for so long without underlying market issues being addressed.

Asset managers' comparatively high (vs asset owners) support for mechanisms to stimulate investment in adaptation and resilience is probably explained by the increasing incidence of climate damage and disruption, NCRA projections of increasing damage, and asset manager' awareness that current capital flows are inadequate to protect the economy. They see financial opportunities under the right conditions.

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### **The implications: Suboptimal investment**

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Ultimately, the fact that the government's progress on high-level climate policy has yet to overcome the headwinds to accelerated investment makes implementation-level policies crucial.

Investors are managing copious risks, including global geopolitical conflict and fragmentation, energy market shocks stemming from the conflict in Iran, cost-of-living pressures, and inflation.

To overcome those factors, the past 18 months of headline policy reforms must now be matched by implementation and concrete programs that will see capital deployed at speed and at scale.

The absence of such steps risks higher energy prices, continued local industry exposure to global energy insecurity, and increased vulnerability to climate damage and disruption. All of these threaten the economy and ultimately investment returns to clients and beneficiaries.

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### **IGCC's work in this area: Advocating for strengthened policies and competitive tax settings**

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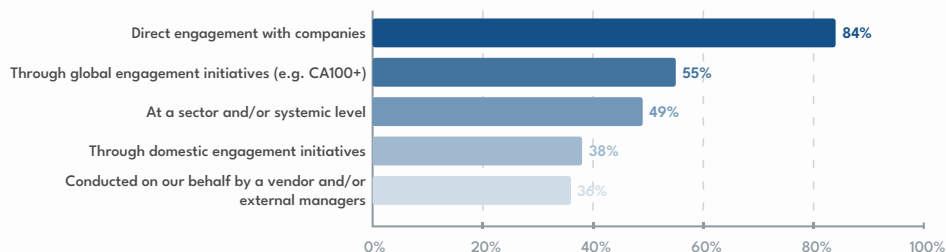
IGCC's recently released "Supercharging Australia's Future: Policy Priorities 2026–2030" sets out where investors see the most compelling opportunities to unlock capital and strengthen Australia's economic resilience. Through 2026, priorities include:

- Political engagement around the Safeguard Mechanism Review, the most significant near-term opportunity to lock in emissions reductions across Australia.
- Identifying and advocating for policy settings needed to enable greater private investment in adaptation. This could include resilience bonds, the role of special investment vehicles, and blended finance.
- Supporting Australia's energy transition to renewables through implementation of the NEM review and maintenance of the CIS.
- Thought leadership that identifies best practice tax and regulatory settings for energy transition and Future Made in Australia (FMiA) projects.

Further details are available in [our policy priorities document](#).

### 3. Corporate Engagement

**Figure 6. Climate-related corporate engagement practices**



**Figure 7. Topics that investors engage with companies on<sup>6</sup>**



#### The trend: Engagement with value chains, not just companies

The vast majority of Australian investors continue to engage with companies on climate. But the latest survey shows the manner of their engagement is evolving.

Investors are broadening their engagement beyond individual companies. In this year's data, around half engaged at a systemic or sector level.

There have also been changes in engagement topics. Sustained disclosure-focused engagement has produced results, and a meaningful share of Australian companies now publish transition plans that describe their decarbonisation options.

Investor attention has therefore shifted. Transition strategies, physical climate risk management, and progress against targets remain the top engagement topics. But board oversight and capital allocation are gaining ground.

Investors want to know whether companies' capital allocation supports their decarbonisation plans, and whether boards are accountable and have the necessary capabilities to deliver.

On the flip side, our research shows engagement on corporate lobbying has declined significantly. This may mean investors are emphasising direct policy engagement, rather than trying to influence investee companies' or industry bodies' policy positions.

#### The reason: Transition at scale needs value chain action

Some barriers to the transition cannot be solved by engaging with individual companies. Critical technologies are not yet viable at scale, policy settings are inadequate, and there are missing links in value chains necessary for net zero industry (refer to Energy Transition and Climate Solutions chapters).

So, decarbonisation at the scale and pace required cannot be achieved solely by shifting the actions of individual corporate emitters. The conditions that enable companies' actions matter just as much.

This is driving investors towards "systemic stewardship" alongside individual company engagement. This targets the policy, market, and supply chain conditions that determine whether company transition plans can succeed.

In practice, it involves engagement with stakeholders such as suppliers, governments, regulators and industry bodies.

<sup>6</sup> See Appendix Figure 10 for asset manager and asset owner breakdown.

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## The implications: Company and value chain engagement must be integrated

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Investors need to integrate company-level and systems-level engagement more strategically. “Systems stewardship”<sup>6</sup> is gaining traction globally. But investors still need practical implementation guidance that shows how targeted policy, market, and stakeholder engagement can reinforce company-level objectives.

Investors are seeking concrete frameworks and practical insights — not high-level theory — to align their broader stakeholder engagement with specific corporate engagement objectives. Without that alignment, systems-level engagement risks being disengaged from company-level objectives. This would reduce its effectiveness and make it harder to demonstrate its value to investment decision-makers.

Climate disclosures have improved at the company level. However, investors still lack visibility on key climate risk factors: whether boards have the capability to oversee transition delivery, and whether capital expenditure aligns with stated plans.

Insights into board capability and capital expenditure are particularly important because investors are increasingly willing to use their voting power where governance falls short, or where expenditure does not align with transition plans.

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## IGCC's work in this area: Assisting with a systems approach

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IGCC is helping members to understand and apply a systems stewardship approach by coordinating action on the market and policy conditions the transition requires.

IGCC has released [Managing Interconnected Climate Risks for Lasting Value](#) — a practical guide examining how Australian investors can apply a more systemic approach to climate-related stewardship and engagement. It identifies key implementation barriers and provides recommendations to strengthen practice.

IGCC also draws on real-world stewardship experience through its involvement in the global Climate Action 100+ alliance. This provides direct insight into how investors' engagement priorities are evolving around the world. Reflecting the growing focus on governance and capital allocation, IGCC has developed practical guides covering [board transition capability](#), [corporate transition capital alignment](#), and [climate-linked executive remuneration](#).

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<sup>6</sup> Systems stewardship goes beyond traditional corporate engagement by coordinating investor influence over capital, corporate strategy, and policy to address complex, systemic barriers to economic decarbonisation.

# Disclosure Is Not Delivery



# EMMI

## Are Australia's Largest Emitters on Target?

### Background

When you apply Emmi's Targets and Forecasts data to your holdings, the results may not be what you expect. Companies with published 2030 commitments are often forecast to miss them materially. For investors, that gap prompts a closer look at specific holdings, particularly in markets where regulatory expectations around target-setting are tightest.

Emmi applied the same framework to four of Australia's largest listed resource companies and found the same pattern.

### Why these companies matter

Most stewardship frameworks ask whether a company has a climate target. The harder question is whether the company is actually on track to meet it. These are not the same question, and for institutional investors managing transition risk in Australian resources, the difference is material.

BHP, Rio Tinto, Fortescue, and Woodside are not edge cases. They are four of the largest companies on the ASX by market capitalisation and among the heaviest emitters in the Australian listed equity universe. For any institutional investor with Australian equity exposure, these names are almost certainly present in the portfolio. At this scale of market capitalisation and emissions intensity, transition risk is not a stock-specific concern. It is a portfolio-wide one.

### The analysis

Emmi's Targets and Forecasts data combines reported facility-level emissions, production data, and sanctioned capex pipelines to project gross Scope 1 and 2 emissions to 2030. The model does not assume offsets, unannounced abatement, or future project delivery that has not yet shown up in realised emissions. It answers one question: if a company continues on its current trajectory, where does it end up in 2030?

Company	2030 Target	Forecast 2030	Gap
<b>BHP</b>	30% reduction from FY2020 (9.5 Mt)	5.4 Mt	43% inside target
<b>Rio Tinto</b>	50% reduction from 2018 (16.3 Mt)	27.3 Mt	67% above target
<b>Fortescue</b>	Real Zero by 2030	4.9 Mt	Full residual gap
<b>Woodside</b>	30% net reduction from 2016–20 avg (4.4 Mt)	11.6 Mt	164% above target

Aggregate forecast emissions sit **63% above the combined target ceiling**: a delivery gap of 19 Mt CO<sub>2</sub>-e per year. Only BHP shows a trajectory consistent with its commitment.

### Key takeaways

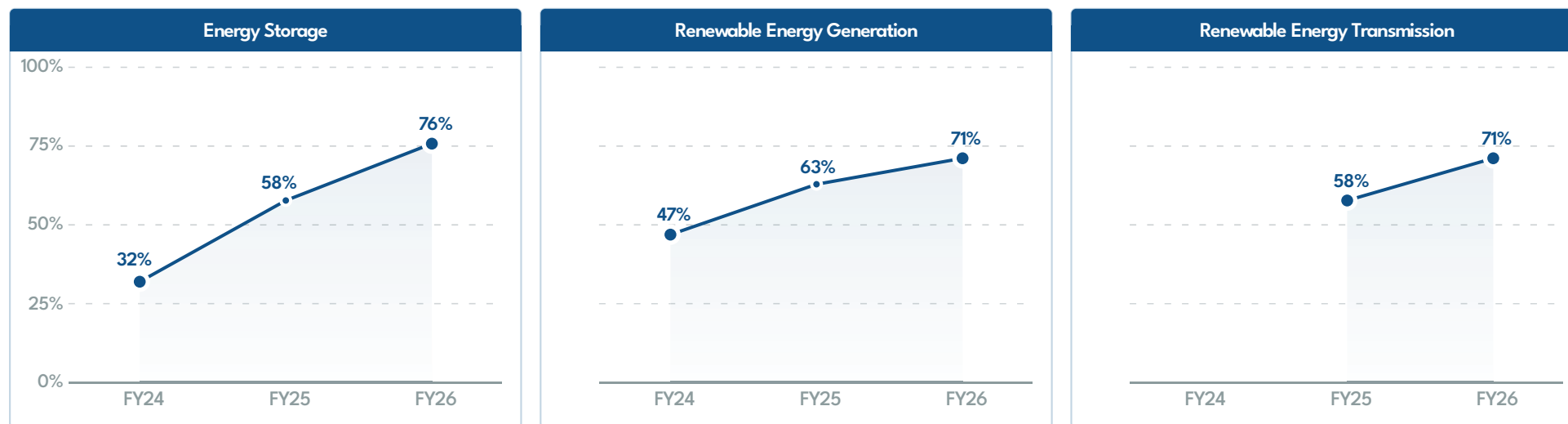
- **Disclosure does not equal delivery.** Three of four major Australian resource companies are forecast to exceed their stated 2030 commitments. A target is not a trajectory.
- **Transition Value at Risk diverges materially by trajectory.** For on-target companies, TVaR converges toward zero under a 2°C scenario. For off-target companies, it remains elevated: the financial expression of unexecuted abatement.
- **The stewardship question has shifted.** Trajectory accountability, not target existence, is now the engagement priority. Forecast gaps provide a quantitative escalation trigger: if FY2026 emissions miss the implied milestone, the engagement moves to a higher tier.
- **BHP is the exception, not the rule.** Its realised emissions trajectory tracks the commitment. For the other three, the gap between stated ambition and current trajectory is the unpriced transition cost in the Australian large-cap resource book.

Read the full analysis at [emmi.io/post/aus-resource-2030-targets](https://emmi.io/post/aus-resource-2030-targets)

# Climate Themes

## 4. Energy Transition

Figure 8. Growth in investor appetite for opportunities in climate solutions\*



Note: Data not collected in FY24 on Renewable Energy Transmission.

### The trend: Investors want more clean energy opportunities

Investor appetite for clean energy opportunities continues to increase. Energy storage, renewable energy generation and transmission are the most sought-after climate solutions opportunities.

The data in this report was collected before the Iran war, which may have increased investor appetite for renewable energy in Australia.

The final quarter of 2025 saw a total of more than \$4 billion invested in generation, storage and hybrid assets reach financial close and the highest recorded level of newly commissioned renewable and storage projects.<sup>8</sup>

These findings should be read with caution. However, investor uncertainty is increasing, and they would like to see more progress on removing structural barriers to renewables investments, as the policy section of this report covered in more detail.

So, although investors are deploying capital into clean energy systems, they may be unable to satisfy their strong appetite to do so at scale. Four structural barriers are slowing or deterring renewable energy investment in Australia: uncertain tax settings, lengthy approval processes, outdated superannuation benchmark, and a lack of coordinated energy and industrial planning.

\* This data is an extract from a question about climate solutions overall. Investor appetite for non-renewables climate solutions is discussed in the later Climate Solutions chapter.

<sup>8</sup> Clean Energy Council (2026), *Quarterly Investment Report: Large-scale Renewable Generation and Storage, Q4 2025*, p 4.

## The drivers: Global competition and volatility, and domestic policy gaps

The relative attraction of renewable energy systems is obvious. They are the most mature of climate solutions; there is structural long-term demand for new energy supply globally, and in Australia, a renewables-based system is the lowest-cost way of meeting that demand.

The drivers for the difficulties in realising energy transition opportunities are multifaceted. Globally, countries compete for clean energy workforces, components, and secure supply chains — and they do so at a time of geopolitical instability across key trade corridors.

In addition, in times of crisis, the temptation to revert to available fossil fuel sources remains real.

In a globally uncertain environment, clear and harmonised domestic policy settings are a precondition for patient capital deployment, which reduces the risk of a strained energy system falling further behind surging demand.

Australia's policy agenda has progressed through the underwriting of new clean supply via CIS tenders and the finalisation of the Guarantee of Origin scheme.

However, momentum has faltered, with more recent CIS rounds underperforming. Coupled with structural challenges across the electricity sector — including workforce shortages, supply chain constraints, and slow planning and approval processes — this may explain investors' growing demand for clearer government direction.

Australia's long-awaited sector decarbonisation plans were a step forward, but they offered limited new policy direction and no clear investment roadmaps. In addition, Queensland is moving out of step with other jurisdictions.

## The implications: Australia faces four pivotal years of policy development

The government's decisions between now and 2030 will shape Australia's investment environment for years to come.

Australia's core emissions reduction mechanisms, including the Safeguard Mechanism and a proposed Carbon Border Adjustment Mechanism, are due for review in the coming financial year.

Alongside this, other significant potential reforms include changes to the diesel fuel rebate, which currently disincentivises decarbonisation of the mining fleet,<sup>9</sup> and introducing a resource rents tax more consistent with OECD norms.

The current geopolitical and economic environment may create political pressure to reduce climate policy ambition. However, the survey indicates investors want stronger policies, not weaker ones.

This reflects a growing recognition that secure, renewable energy systems are the foundation of long-term investment stability. Strong, credible market signals to decarbonise will support an orderly, least-cost transition and reduce long-term investment risk.

Inconsistent or retreating policies will do the opposite — increasing investment risk by undermining clarity about the pace and scale of change.

Rapidly addressing workforce constraints, planning processes, and electricity market reforms remain essential tasks to enable the renewables rollout that investors and the economy require.

## IGCC's work in this area: Advancing reforms that the transition needs

The energy transition is one of IGCC's key strategic themes. Through 2026 and 2027, the focus for investors in our Energy and Industry Policy Working Group will include key transition challenges, including the government's implementation of the electricity market review and Safeguard Mechanism reform. This member grouping is also providing specialist advice to government on a range of climate investor needs.

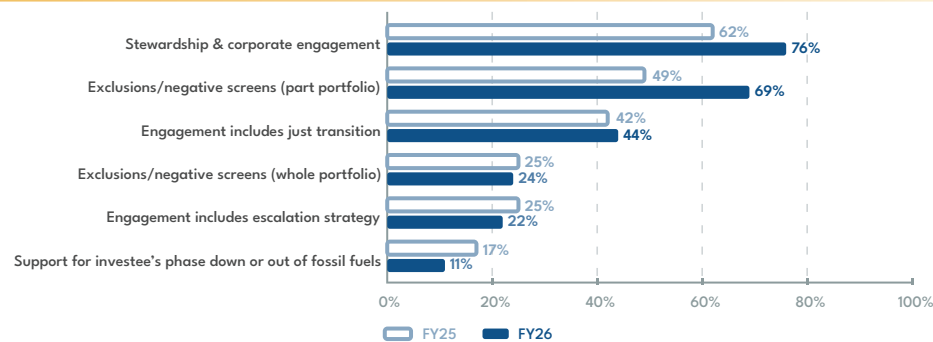
In line with member views, IGCC is highlighting that ambitious and consistent climate policy is essential for economic and energy security, and not at odds with it.

Further details are available in [our policy priorities document](#).

<sup>9</sup> IEEFA (2026), [Briefing Note: Cutting Australian Mining's Diesel Emissions](#).

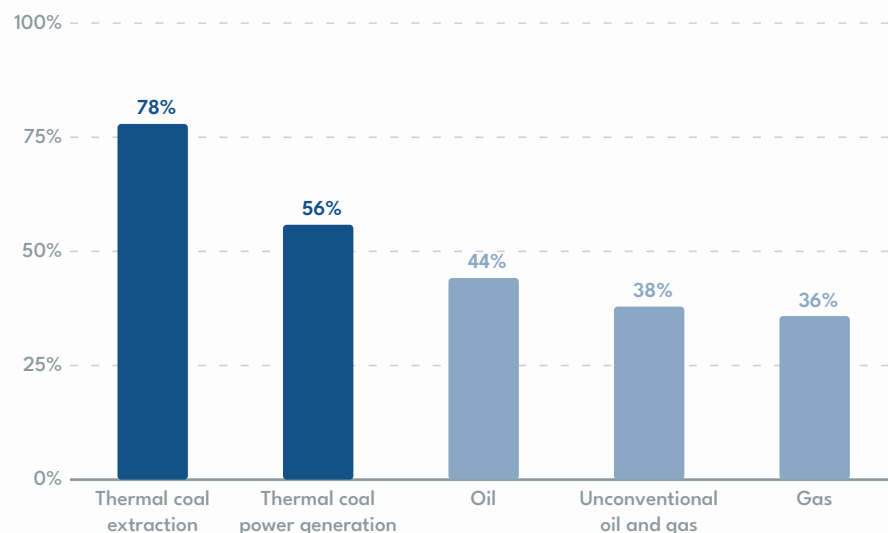
## 5. Investor Approaches to Fossil Fuel Companies

**Figure 9. Organisational approach to fossil fuels**



Note: Refer to appendix figure 11 for comparisons between asset owners and asset managers.

**Figure 10. Activities covered by fossil fuel exclusions (all investors)**



### The trend: Exclusions grow, but engagement still dominates

An increasing proportion of investors are screening out fossil fuel companies from at least part of their portfolio. However, corporate engagement to encourage a transition away from fossil fuels remains the dominant approach (See Figure 9).

Australian fossil fuel producers are net exporters of gas, coal, and crude oil, with exports equating to over two-thirds of production.<sup>10</sup> Through their investment decisions and stewardship, investors have a role in reducing emissions, particularly in Australia's fossil fuel-dependent economy.

Investors increasingly fulfil this role through the deployment of negative screens and industry- or activity-based exclusions.

More than two-thirds of investors apply negative screens or exclusions to part of their portfolio, particularly for sustainable or ethical funds and options — a significant increase on last year's finding for this question.

Portfolio-wide exclusions of fossil fuel activities are only applied by a quarter of investors. These screens and exclusions tend to target specific fossil fuel activity types, such as thermal coal extraction, oil, or gas, rather than applying blanket exclusions across all fossil fuel activities. Thermal coal exclusions are most common.

Alongside part-portfolio exclusions, most investors use ownership rights to engage with companies to support a transition away from fossil fuels.

### The drivers: Financial risk and market demand can drive shifts in approach

The upward trend in part-portfolio exclusions can be partly explained by increasing consumer demand for ethical or responsible investment options.<sup>11</sup>

Some investors also apply exclusions on purely financial grounds, where they have concerns about the preparedness of an asset to manage material transition risks as the global economy shifts away from fossil fuels. As one investor noted:

*...an investment team is likely to exclude fossil fuel activities from their portfolio if, upon a full analysis, they have concluded the risks to the business are sufficiently material.*

<sup>10</sup> Australian Government: Department of Climate Change, Energy, the Environment and Water, [Energy Trade](#), accessed 23 March 2026.

<sup>11</sup> Responsible Investment Association Australasia (2024), [From Values to Riches 2024: Charting Consumer Demand from Responsible Investing in Australia](#).

At the same time, the reliance on corporate engagement is consistent with established stewardship approaches in the Australian market.

The prominence of corporate engagement in the results is consistent with global studies.

These studies show that the largest Australian investors lead their North American and Asian counterparts in using engagement to deal with climate-related financial risk, ranking just behind their European counterparts.<sup>12</sup>

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### **The implication: Investor expectations of fossil fuel companies will continue to sharpen**

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The prevalence of corporate engagement as a strategy shows investors are clearly communicating their expectations to fossil fuel companies on matters such as transition planning and capital expenditure.

Investors need to know an investee company's long-term plan, particularly if the company is primarily a fossil fuel producer.

This is increasingly pressing as geopolitical instability, including the ongoing conflict in the Middle East, has heightened energy security concerns and strengthened the case for a rapid transition to clean energy sources.

This, in turn, has direct implications for the operations, revenues, and asset valuations of fossil fuel companies.<sup>13</sup>

Governance is particularly critical in the case of fossil fuel companies.

Company boards need to comprise directors with the right mix of backgrounds and experience to prudently navigate the transition. These “business transformation” capabilities may differ from those traditionally valued at the board level.

While some of these matters are a focus for investors in their engagement with all emissions-intensive companies (see the Corporate Engagement chapter), we would expect to see a stronger emphasis in engagement with fossil fuel companies on governance, capital allocation, and executive remuneration.

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### **IGCC's work: Supporting investors to assess and engage with fossil fuel companies**

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IGCC has developed several guides that are particularly pertinent for engagement with fossil fuel companies:

- [Capital Alignment Principles for Corporate Decarbonisation](#) sets out a principles-based framework to help investors evaluate whether companies are sourcing, managing, and deploying capital in ways that support their transition strategies.
- [Climate Capability Principles for Boards](#) sets out a principles-based framework to help investors assess whether boards have the structures, capabilities, and decision-making processes needed to oversee climate-related risks and opportunities and to steer their organisations towards credible transition pathways.
- [Incentivising Climate Action with Executive Remuneration in Australia](#) provides a framework to help investors evaluate the link between climate incentives and executive remuneration.
- [Investor Expectations for Corporate Just Transition Planning](#) supports stewardship teams in understanding, assessing, and engaging with the just transition plans of their investee companies.

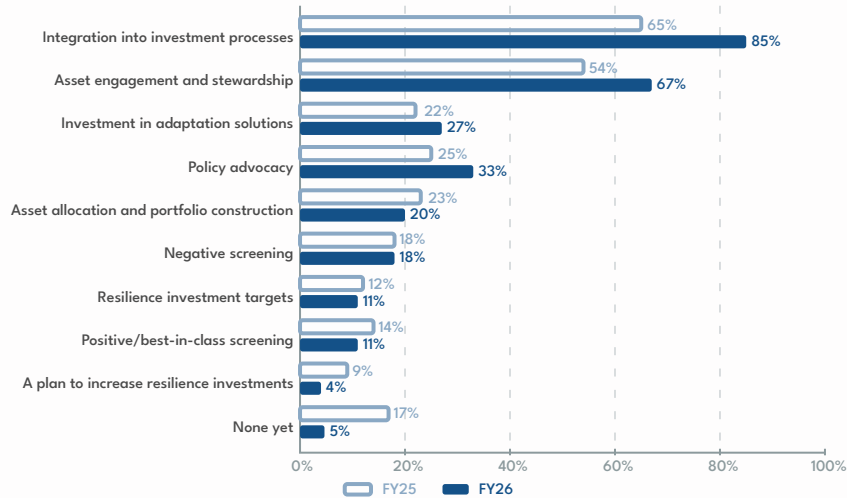
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<sup>12</sup> Investor Agenda (2025), [Global State of Investor Climate Action](#).

<sup>13</sup> See, for example, South Korea: Ministry of Climate, Energy and Environment (2026, 6 April), [Shift to Renewables to Break Free from Fossil Fuel Dependence](#) [Press release].

# 6. Approaches to Physical Climate Risk

**Figure 11. Investor responses to physical risk: Implementation approaches**



## The trend: Advancing beyond assessing physical risks to acting on them

Physical climate risk and resilience remain core priorities for investors. They are increasingly embedded across investment processes, stewardship and engagement, and broader asset management practices.

In recent years, investors have increasingly undertaken physical climate risk assessments. Three-quarters of respondent investors have conducted some form of physical risk assessment of at least part of their portfolio.

The highest levels of assessment are in real assets such as infrastructure and real estate, as well as listed equities (Appendix Figure 12).

Although the percentage of investors conducting physical risk assessments has now levelled off, the percentage of investors taking action in response to physical risk has increased.

Compared with last year, more investors are integrating physical risk considerations into investment processes. They are engaging with companies on how they manage physical climate risks.

Beyond risk management, interest in adaptation and resilience solutions is growing. Over one-third of investors identified climate adaptation as an important investment opportunity. More than a quarter of investors have already allocated capital to adaptation-related solutions.

## The drivers: Financial losses, better regulation and data

Investor action on physical risk and resilience is likely driven by a combination of financial, regulatory, and analytical factors.

Financial losses from extreme weather events linked to climate change are rising. At the same time, the introduction of mandatory climate disclosures has required investors to consider physical risks and opportunities within their portfolios.

Improvements in the quality and accessibility of physical risk data and analysis may have also played an important enabling role, including through the NCRA.



**36%**

investors interested in resilience solutions



**27%**

investors who have already invested in resilience solutions



**+20pp**

increase in investors integrating physical risk into investment processes



**+13pp**

increase in engagement and stewardship on physical risk

Together, these factors highlight that physical risk poses a material and systemic threat to the long-term value of investment portfolios. As a result, investors are moving beyond assessment to more active responses and giving increased attention to adaptation and resilience investment opportunities.

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### **The implications: Taking steps to fix the adaptation finance gap**

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Both internationally and in Australia, current levels of investment in adaptation fall short of what is required to manage escalating physical climate risks.

Investors have an important role to play in financing adaptation.<sup>14</sup> However, to meet their fiduciary duties, these investments must serve the best financial interests of their members.

We can draw three conclusions from the latest survey findings.

First, the impacts of physical risk on investment portfolios are material, and investors are already acting to manage these risks. Second, while investor appetite for adaptation is growing, a gap remains between appetite and actual capital deployment.

Third, investor appetite for adaptation lags behind other climate-related investments, including renewable energy and low-emissions fuels.

This is probably because governments have historically led and funded adaptation activity, and markets for private investors are relatively underdeveloped.

To address adaptation gaps, the pipeline of investable adaptation projects must be expanded, and barriers to investment must be reduced. This will be critical to enable investor action at scale and support resilient, long-term portfolio performance.

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### **IGCC's work in this area: Practical guidance and advocacy**

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IGCC will continue to support investors to identify, assess, and manage physical climate risks and opportunities across their portfolios through our three work streams: investor practice, corporate engagement, and policy and advocacy.

Recognising that real assets sit at the frontline of physical climate risk, IGCC's Real Assets Sub-Working Group will maintain a strong focus on physical risk, including through the release of practical guidance on assessing physical climate risks for infrastructure assets.

In 2025, IGCC released the Investor Expectations of Companies on Physical Risk Management and Resilience report.<sup>15</sup> In the year ahead, IGCC will support members to apply these expectations in practice. This work will help investors assess the quality of disclosures, identify good practice, and engage effectively with companies where improvements are needed.

In parallel, IGCC will continue to advocate for increased public and private investment in climate adaptation and resilience, as the federal government develops the action plan that will support its National Adaptation Plan. This includes advancing work on designing bankable adaptation investments and responding to growing investor interest in adaptation as a viable and necessary investment opportunity.

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<sup>14</sup> IGCC (2024), [Activating Private Investment in Adaptation](#).

<sup>15</sup> IGCC (2025), [Beyond Risk to Building Resilience: Investor Expectations of Companies on Physical Risk Management and Resilience](#).

# Audit-Grade Reporting Unlocks a \$7.7 Billion Adaptation Opportunity for Real Asset Investors



Australia's mandatory climate disclosure regime is generating more asset-level data than the market has ever seen. For investors in real assets and infrastructure, the question is whether that data remains a compliance output — or becomes the foundation for measurable adaptation outcomes. SumClimate was built to answer that question.

SumClimate is a climate tech platform that delivers audit-ready, asset-level climate risk reports for investors and corporates navigating mandatory disclosure under AASB S2. Unlike high-level scenario tools, SumClimate focuses on real assets and infrastructure — the holdings where physical climate exposure is most material, and where the data is most actionable.

## The opportunity

According to the Energy Efficiency Council, improving the energy efficiency of Australian homes and businesses could slash \$7.7 billion a year off energy bills — much of it embedded in the emissions data that mandatory reporting is now making visible for the first time. SumClimate's platform is designed to surface that opportunity — generating granular, repeatable baseline data that integrates into financial reporting, capital allocation frameworks, and investment management agreements.

**\$7.7bn**  
in avoidable energy costs

Audit-grade reporting, in SumClimate's model, is not the end of the process. It is the starting point.

## From reporting to adaptation: The climatech zero partnership

To convert insight into intervention, SumClimate is working with Climatech Zero, a specialist in net-zero solutions for large industrial and commercial assets. Where SumClimate identifies inefficiency through data, Climatech Zero delivers the on-the-ground response — closing the gap between disclosure and adaptation that this report identifies as one of the sector's most persistent challenges.

## Evidence of impact

In a recent engagement with a major Australian manufacturer operating at significant scale across energy-intensive production, Climatech Zero used asset-level baseline data to target compressed air systems — one of the facility's largest energy cost centres.

The result: a wholesale upgrade to oil-free, smart-monitored compressor technology — the first compressed air As-a-Service project ever delivered in Australia.

**43% reduction in energy consumption for compressed air production, delivered from day one.**

The project also delivered an enhanced workplace environment, improved operational reliability through advanced remote monitoring, and long-term financial predictability through a 10-year warranty and service plan.

For investors, this is the chain of evidence that matters: audit-grade data identifying the inefficiency → targeted adaptation intervention → measurable financial and environmental outcome → reportable back through the same disclosure framework.

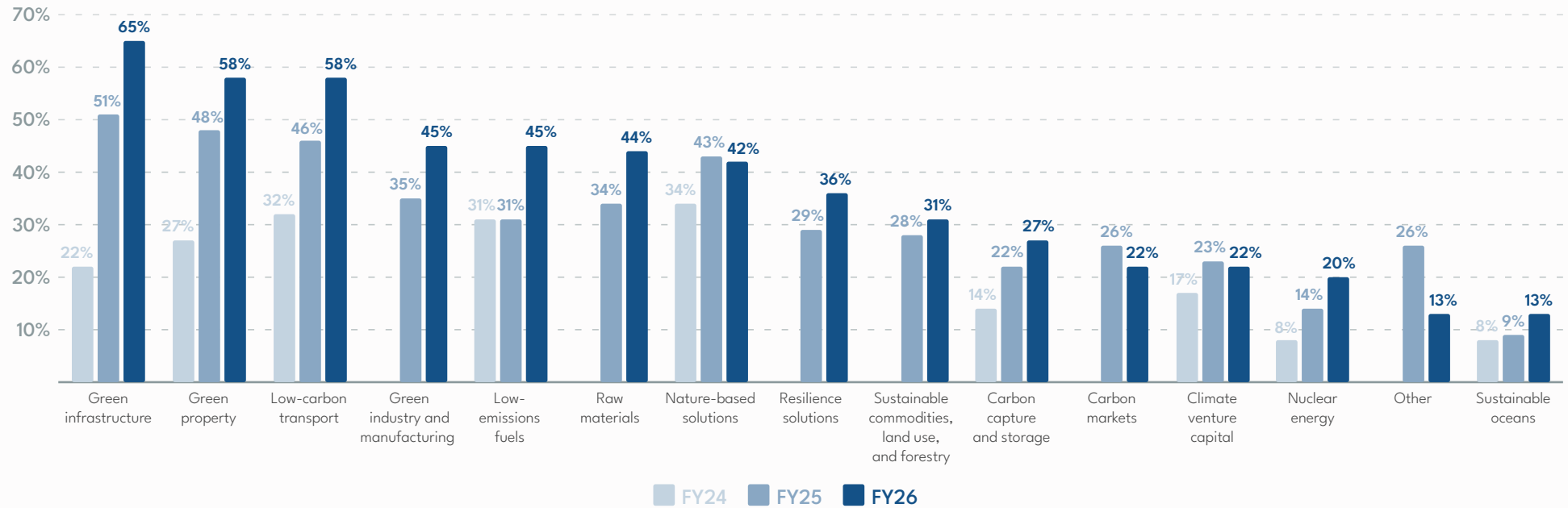
## Looking ahead

Only 27% of surveyed investors have thus far invested in resilience solutions. SumClimate and Climatech Zero are demonstrating that the path from reporting obligation to portfolio resilience is shorter, and more commercially compelling, than it appears. As mandatory disclosure matures, the platform is positioned to help investors move from assessment to action — at the asset level, and at scale.

**For more information, please visit [sumclimate.com](https://sumclimate.com)**

# 7. Financing Climate Solutions

Figure 12: Growth in investor appetite for opportunities in climate solutions (excluding renewable generation, storage and transmission)



Notes: Green industry includes green iron, steel, cement, etc. Low-emissions fuels include hydrogen and biofuels. Raw materials include copper, lithium and rare earths.

## The trend: Appetite is strong, but confidence is faltering

Australian investor appetite for almost all climate solutions has increased.

They want exposure to the companies and infrastructure that can provide goods and services to decarbonise the global economy. Clean energy solutions are the most attractive (see the Energy Transition chapter), closely followed by green property and low-carbon transport.

Although nuclear energy remains the least popular climate solution (alongside sustainable oceans), interest is rising. Given that Australian investors allocate capital globally, this is likely to reflect interest in international rather than domestic nuclear power generation.

Nearly half of asset owner respondents have a formal commitment or target to increase their climate solutions investment. And almost two-thirds track their level of investment and include thematic investing in climate-related assets in their climate strategy.

Despite this appetite for exposure to climate solutions, few investors saw any progress last year on the removal of barriers that impede capital allocation to climate solutions (as covered in Chapter 3).

## The drivers: Structural and institutional barriers are holding capital back

A range of factors influence the valuation and prospects for climate solutions, including broader policy settings, and non-policy factors such as definitions and frameworks for classifying climate solutions.

However, investors identified a shortage of appropriate climate-aligned investment opportunities as the primary barrier to investing in climate solutions for the past two years, overtaking policy uncertainty.

The Energy Transition and Policy Engagement chapters highlighted key policy reforms that would remove market distortions and stimulate more capital flow into climate solution opportunities. The current settings of the Safeguard Mechanism are not creating sufficiently strong demand for climate solutions locally, and although most large asset owners believe a global transition will happen (with commensurate demand for climate solutions), a range of scenarios to get there remain possible.

Several studies have identified structural issues in the Australian regulatory landscape for superannuation funds that, if corrected, would help unlock institutional investment in decarbonisation opportunities, including in earlier-stage innovation and climate tech. Reform of the governments' Specialist Investment Vehicles is part of that agenda.<sup>16</sup>

Climate tech and some infrastructure fall into unlisted asset classes, which make up a relatively small part of an asset owner's portfolio.<sup>17</sup> Top-down approaches to determine how much capital to allocate to each asset class are constrained by other, potentially competing objectives such as liquidity management.<sup>18</sup>

Encouragingly, no asset owner cited a lack of trustee or senior management support as a barrier to investing in climate solutions.

However, asset owner investment appetite and ambition are not translating into implementation with external managers. Two-thirds of asset managers cited a lack of client demand and net zero-aligned investment management agreements as a top barrier to investing in climate solutions. These findings point to a persistent disconnect between institutional practices and capital allocation decisions.

## The implication: The \$4.5 trillion capital pool could close the \$630 billion gap, but that isn't happening

Removing policy and institutional barriers to climate solutions investment is key to mobilising the private capital needed to fund the economic transition.

Australia will need capital investment totalling up to \$630 billion to meet its 2035 climate targets.<sup>19</sup> Australia's superannuation sector is currently valued at \$4.5 trillion<sup>20</sup> and is projected to become the second-largest pension pool in the world by 2035. It therefore represents a significant potential source of capital.<sup>21</sup>

The economic impacts of climate change are on track to be severe and widespread across all markets,<sup>22</sup> with commensurate impacts on most investment portfolios. Deploying climate solutions at scale is essential to cut emissions and limit economic damage.

Addressing the barriers preventing Australian superannuation capital from investing in the rollout of climate solutions is critical to achieving a strong and resilient economy that will protect the long-term retirement savings of millions of Australians.

## IGCC's work in this area: Advocacy to encourage investment

IGCC is working to address policy, institutional and industry barriers that impede investment in climate solutions.

Policy change is critical to create more favourable investment conditions. IGCC's [5-year Policy Priorities](#) sets out investor-backed reforms to encourage climate investment in Australia.

These include the development of investment roadmaps that would complement the existing sector net zero plans and provide clear market signals about credible investment opportunities.

IGCC and our members have been [making the case for reform of Australia's Specialist Investment Vehicles \(SIVs\)](#), with a view to ensuring they complement and stimulate private investment into the country's renewable energy system, future climate solutions, and climate resilience.

16 See, Australian Government: Department of Industry (2025), [Ambitious Australia: Strategic Examination of R&D Final Report](#); Melbourne Business School (April 2025), [Scaling Up Blended Finance for Climate with CDPO - Insights & Actions Report: Roundtable with Australian Superannuation Funds](#); IGCC and Mandala Partners (2025) [Optimising Australia's Specialist Investment Vehicles for the Net Zero Journey](#).

17 ASFA (2026), [Superannuation Statistics Snapshot](#).

18 CFA Institute (2025), [Integrating ESG Information into Long-term Investment Strategy: Observations from Asset Owners in Australia and New Zealand](#).

19 Climate Change Authority (2026, 18 March), [Climate Investor Forum Speech](#).

20 APRA (2026, 26 February), [APRA Releases Superannuation Statistics for December 2025](#) [Media release].

21 Super Members Council (2025, 24 February), [Australians' Super Savings on Track to Become Second Largest Globally by the Early 2030s](#) [Media release].

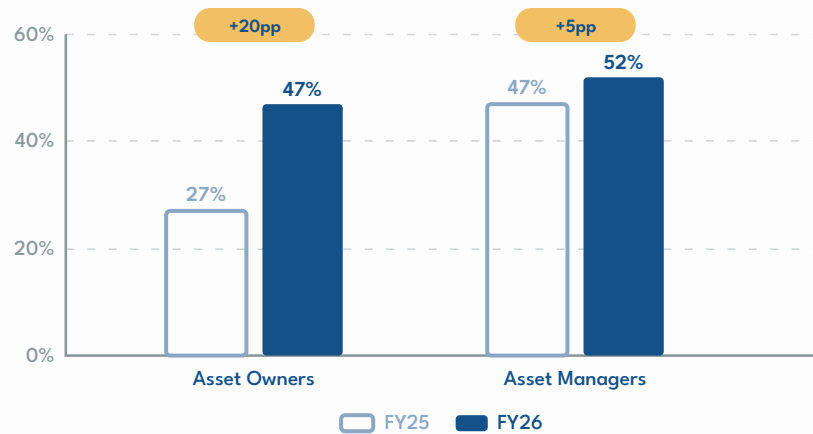
22 Ortec Finance (October 2025), [Translating the Cost of Climate Change for the Global Pension Industry: 2025 Update](#).

Beyond policy engagement, IGCC is facilitating the conversations and connections needed to drive the transition to a net zero and resilient economy. Working with the Climate Investor Forum, IGCC regularly convenes a cross-section of Australia's investment ecosystem to bring together senior decision-makers across the investment landscape to discuss the challenges and opportunities for private finance investment in the region.

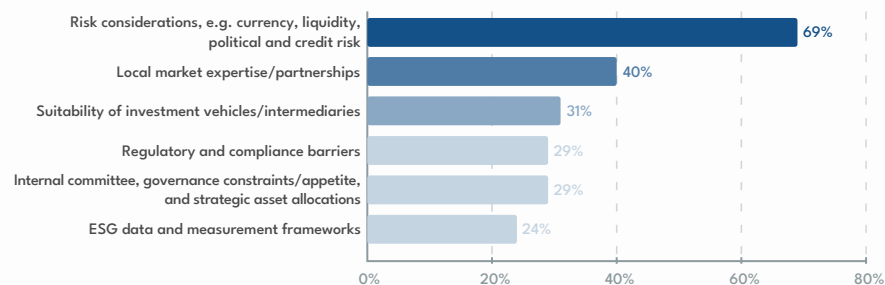
Our dedicated member Working Groups and Masterclasses also provide specialist content on these topics. In particular our Climate Solutions Sub-Working Group is a forum for members from all parts of the investment supply chain to get together and explore the obstacles and opportunities associated with investing in new technologies in the climate space.

## 8. Regional Decarbonisation

**Figure 13. Investor appetite for climate solutions investment in Asia**



**Figure 14. Primary considerations for influencing Emerging Markets and Developing Economies (EMDE) climate investment**



### The trend: A growing appetite for climate investment in Asia

Asset owner appetite for Asian climate solutions investment has strengthened,<sup>23</sup> with a 20-percentage point increase since FY25 in those rating the region as “attractive” or “highly attractive”. This was the largest shift in positive sentiment recorded across any region in this year’s survey.

This indicates a growing recognition among asset owners that Asia’s decarbonisation is increasingly relevant to their climate strategy and portfolio outcomes.

Asset managers are more cautious, with combined favourable sentiment rising a modest five percentage points. Qualitative responses indicate that client mandates remain the primary driver of allocations.

Investors differ in their views on factors that influence their decisions to allocate capital to climate investments in emerging markets and developing economies.

The dominant consideration is risk, whether currency, political, liquidity or credit, although a higher proportion of asset managers than asset owners cite those factors.

### The reason: Asia is significant for every long-term portfolio

Asset owners increasingly recognise that Asia is material to both credible climate strategies and long-term investment opportunities.

Reaching net zero by 2050 requires a rapid transformation of energy systems globally, and the Asia-Pacific region is central to this challenge.

The region accounts for more than half of global energy-related CO<sub>2</sub> emissions,<sup>24</sup> reflecting rapid industrialisation, high fossil fuel dependence,<sup>25</sup> and population growth.

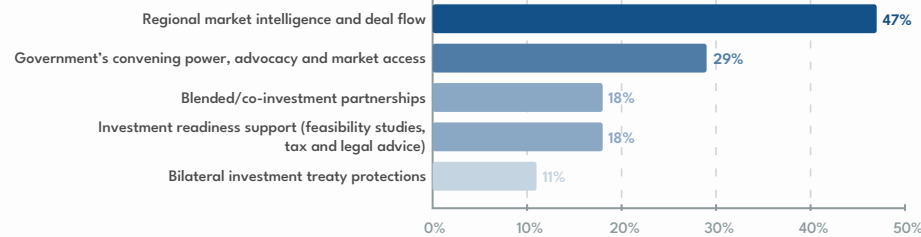
Much of the focus is on Southeast Asian emerging markets and developing economies, where energy demand has tripled over the past two decades and has largely been met by coal-dependent energy systems.

<sup>23</sup> For this question, a climate solution investment is defined as an investment in economic activities or assets that substantially contribute to climate change mitigation.

<sup>24</sup> International Energy Agency (2026), *Asia Pacific*.

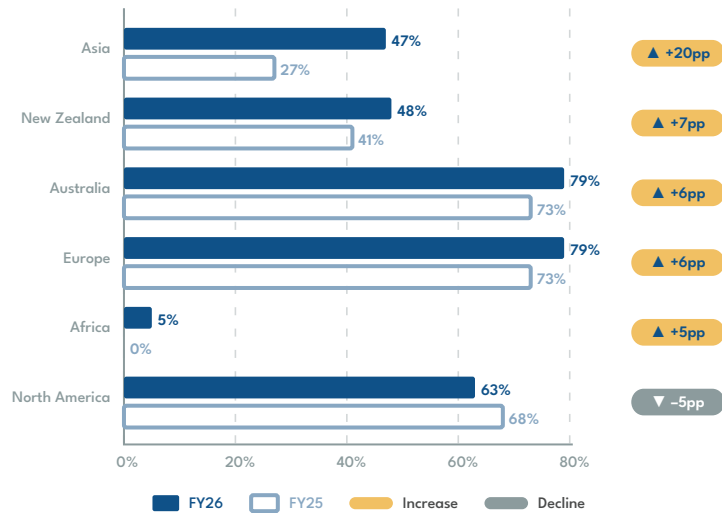
<sup>25</sup> ESCAP et al. (2025), *2025 Review of Climate Ambition in Asia and the Pacific, Readiness for NDC Implementation*, p vi.

**Figure 15. Government support that would influence EMDE allocation decisions**



**Figure 16. Investors' views on how attractive markets/regions are for climate solution investment**

Asset owner appetite for climate solutions investment by region — FY25 vs FY26



Notes: Combined 'attractive' and 'highly attractive' ratings (scale 4-5).

At the same time, the region continues to dominate global renewable energy growth, accounting for more than 70% of new renewable capacity additions in 2024,<sup>26</sup> primarily driven by China.

**The implication: Avoiding our region is not an option**

Irrespective of whether portfolios have direct allocations to Asian markets, investors are likely be exposed to climate transition risks through regional supply chain dependencies.

Emissions embedded in regional supply chains may represent a significant source of Scope 3 emissions for many companies invested in by Australian asset owners and managers.<sup>27</sup> If Asian economies delay decarbonisation, portfolio companies may face escalating regulatory restrictions and stranded asset risks, regardless of their listing location.

Avoiding direct exposure to Asian markets does not eliminate these risks; it leaves them unmanaged and unhedged.

Institutional frameworks do not always reflect the full weight of Asian markets in portfolio construction. Slightly more than half of the respondent asset owners cited internal governance constraints and Strategic Asset Allocation (SAA) as key considerations influencing their allocations to emerging markets and developing economies.

SAA frameworks play an important role in shaping portfolios. Where these frameworks are not calibrated to reflect Asian growth trajectories, portfolios risk underweighting markets contributing the largest share of global GDP<sup>28</sup> and energy demand growth over the coming decades.

**IGCC's work in this area: Collaboration with regional partners**

IGCC is helping advance regional decarbonisation by working with partners to improve the policy settings, pipelines and market conditions needed to attract private capital. This includes collaboration with the Asia Investor Group on Climate Change with deep regional market presence and expertise covering policy and industry engagement, and through its activities as a founding member of the Maximum Ambition Coalition (MAX).<sup>29</sup>

26 IRENA (2025, 17 April), *Renewables in 2024: 5 Key Facts Behind a Record-Breaking Year*.

27 IIGCC (June 2025), *Considerations for Emerging Markets and Developing Economies: Supplement to NZIF*.

28 IMF (2025), *Asia's Economic Growth is Weathering Tariffs and Uncertainty*.

29 Climateworks Centre (2022), *Our Work: The Maximum Ambition Coalition (MAX)*.

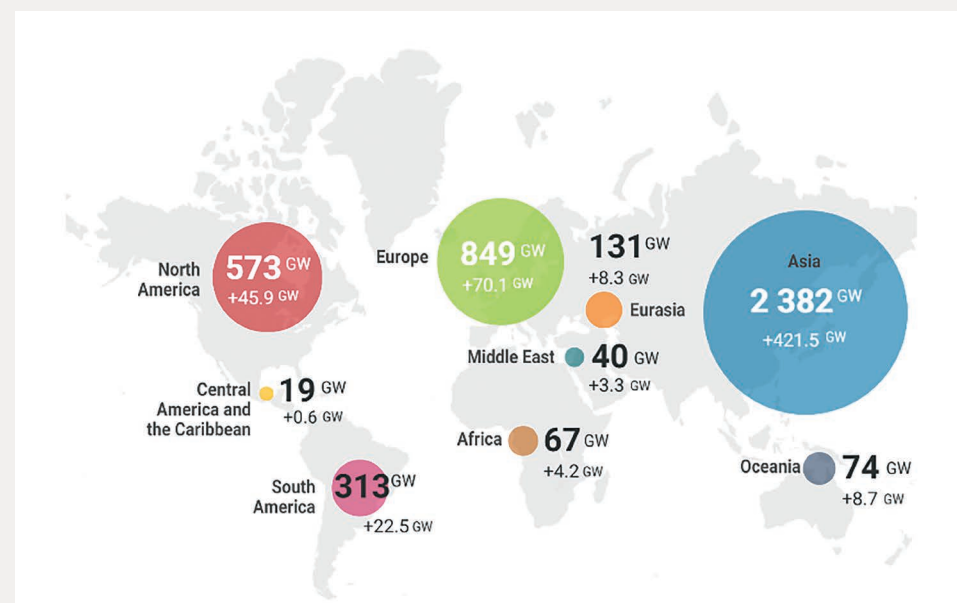
The IGCC is also supporting the Australian Government's leadership on COP31 and the Pacific Action Agenda. Through MAX, IGCC is contributing to efforts to scale climate finance in line with the Baku to Belem Roadmap commitment to mobilise US\$1.3 trillion per year by 2035.

IGCC is also engaging through the global Investor Agenda alliance (where it currently chairs the Policy Working Group).

In addition, IGCC is involved in the [NDC Partnership](#), co-chaired by Australia's Climate Minister Chris Bowen, and is exploring what makes national climate plans investable, with a focus on emerging markets.

IGCC's regional decarbonisation pillar of work is centred on APAC decarbonisation, climate finance deployment, supply chain transition, and deeper regional policy engagement.

## Asia dominates global renewable power capacity growth



Source: [IRENA Renewables in 2024](#).

Asia accounts for more new renewable capacity than every other region combined – underscoring that the region is not only central to the climate challenge, but increasingly central to the climate solution, and to the investment opportunity this represents.

# 9. Methodology

Since 2017, IGCC has surveyed Australian institutional investors annually on their climate-related investment practices. *State of Net Zero* tracks progress against recognised frameworks, identifies barriers, and monitors trends over time. The FY26 survey was distributed in September to Australian institutional investors, including global managers with Australian operations. Responses closed in January 2026. This report presents the findings.

## Respondents

This report draws on responses from 55 institutional investors active in Australia.

- Combined assets under local management: A\$3.5 trillion.
- Asset Owners (mostly superannuation funds): 21
- Asset Managers: 34
- IGCC Members: 40 (73% of total)

IGCC's membership skews towards more climate-active investors, so findings likely reflect stronger practice than the broader market. Readers benchmarking against this data should account for that gap.

## The survey design

The survey captures investor practice across a broad range of climate-related topics through a mix of open and closed questions, covering areas such as corporate engagement, physical risk, barriers to climate-aligned investment and investor governance practices.

Survey questions are reviewed annually against the Net Zero Investment Framework 2.0 (NZIF 2.0) to reflect evolving investor practice, and are further informed by transition plan frameworks, including the Investor Climate Action Plans Expectations Ladder (ICAPs) and the Transition Plan Taskforce Disclosure Framework (TPT), both of which provide forward-looking, investor-related guidance on climate action and accountability.

## Results and analysis

Lonergan Research collects and provides the data under the Research Society Code of Professional Behaviour, the Privacy Act, and IGCC's Privacy Policy. All findings are reported in aggregate; individual responses are strictly confidential. IGCC has not audited or verified self-reported data.

The report is in two parts, with the first part structured under 'Investor Climate Action', which looks at the following core areas: Governance and Investor Practice, Corporate Engagement and Stewardship and Policy Engagement and Environment. The second part of the report, 'Climate Dynamics' aligns with IGCC's five-year strategic themes, including: Emissions in Real Economy, Energy Transition, Regional Decarbonisation, Climate Solutions and Physical Risk and Resilience.

The analysis, by IGCC staff, draws on the data collected in the survey, combined with our member engagement in working groups, individual conversations, briefings, and with our other thought-leading research.

## Year-on-year comparisons

Some results are compared with the prior years' data. Three factors limit YoY comparison precision: variable sample composition, self-reported responses, and changes to survey questions between years.

Participation is voluntary and the respondent pool changes annually. To measure continuity, IGCC calculated the proportion of 2025 survey respondents who also participated in 2024, although there is a stable sample core across both groups:

Respondent Group	Sample Continuity (FY26 vs FY25)
Asset owners	71%
Asset managers	76%
Combined	75%

Throughout the report, YoY changes of 10 percentage points or more are highlighted as indicative of an emerging trends; readers are encouraged to consider these movements in the context of sample continuity rates when drawing conclusions.

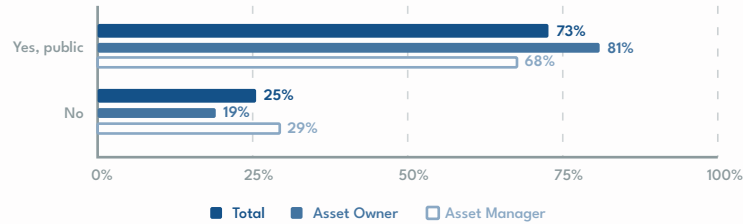
# Appendix

## Additional Data: Climate Practice Indicators

Appendix Figures 1–6 present full survey sample results for the Climate Practice Indicators. Data in Chapter 1 reflects IGCC member respondents only.

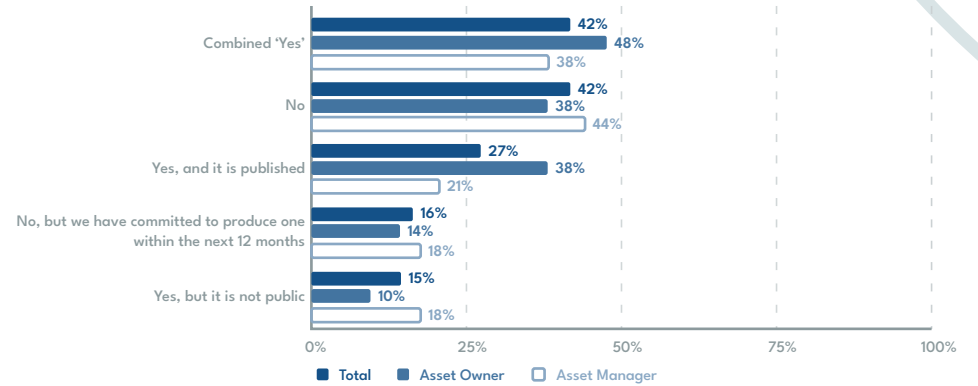
### Appendix Figure 1. Net zero by 2050 target

Have you set a net zero emissions target aligned with global net zero emissions pathways (e.g. by 2050)?



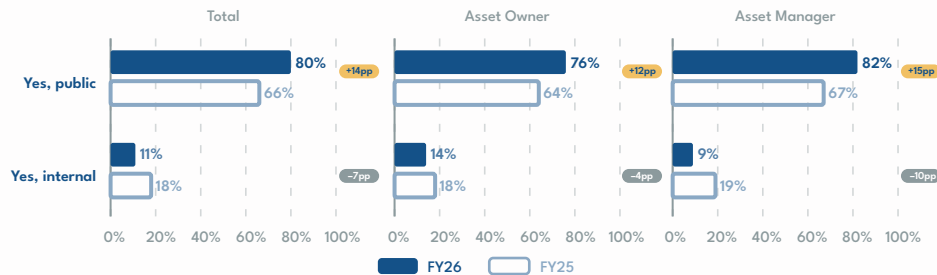
### Appendix Figure 3. Climate action plan

Do you have a transition plan for achieving your net zero objectives (e.g. an Investor Climate Action Plan (ICAP) roadmap or climate transition plan)?



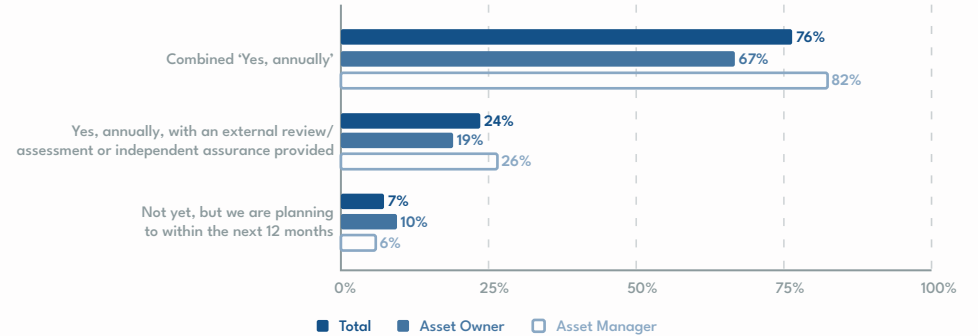
### Appendix Figure 2. Climate policy

Do you have an investment policy regarding climate change?

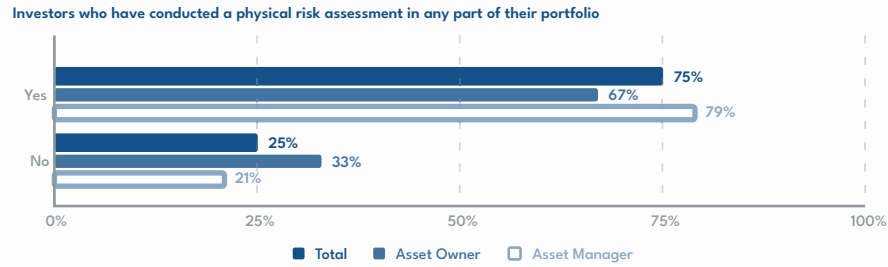


### Appendix Figure 4. TCFD/ISSB aligned reporting

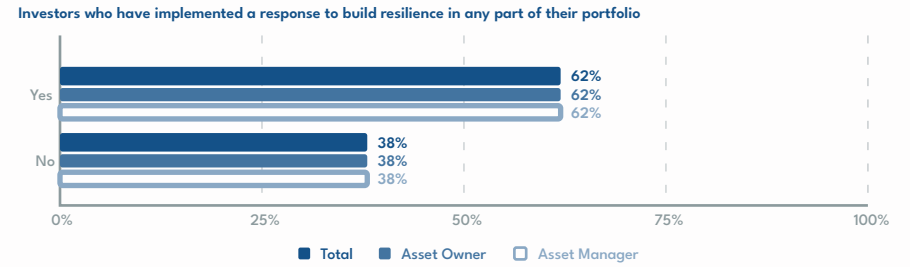
Do you produce TCFD/ISSB-aligned reporting?



**Appendix Figure 5. Physical climate risk assessment**

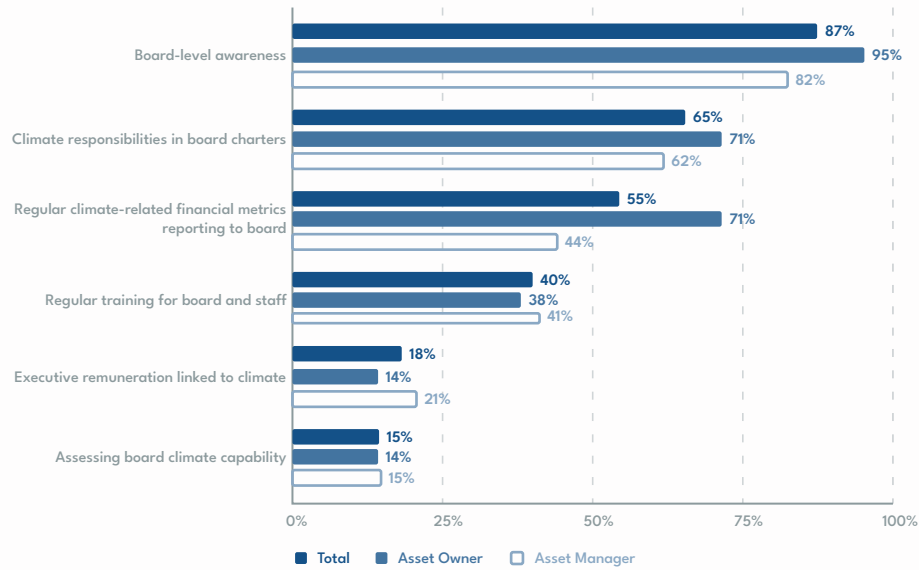


**Appendix Figure 6. Physical climate risk response**



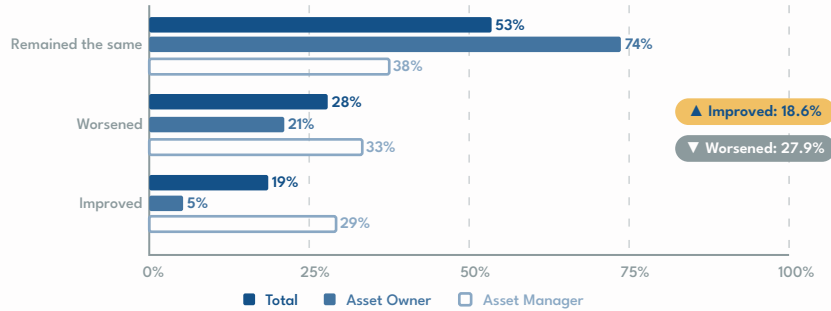
**Additional Data: Governance**

**Appendix Figure 7. Regarding your climate-related organisational governance structures, which apply?**

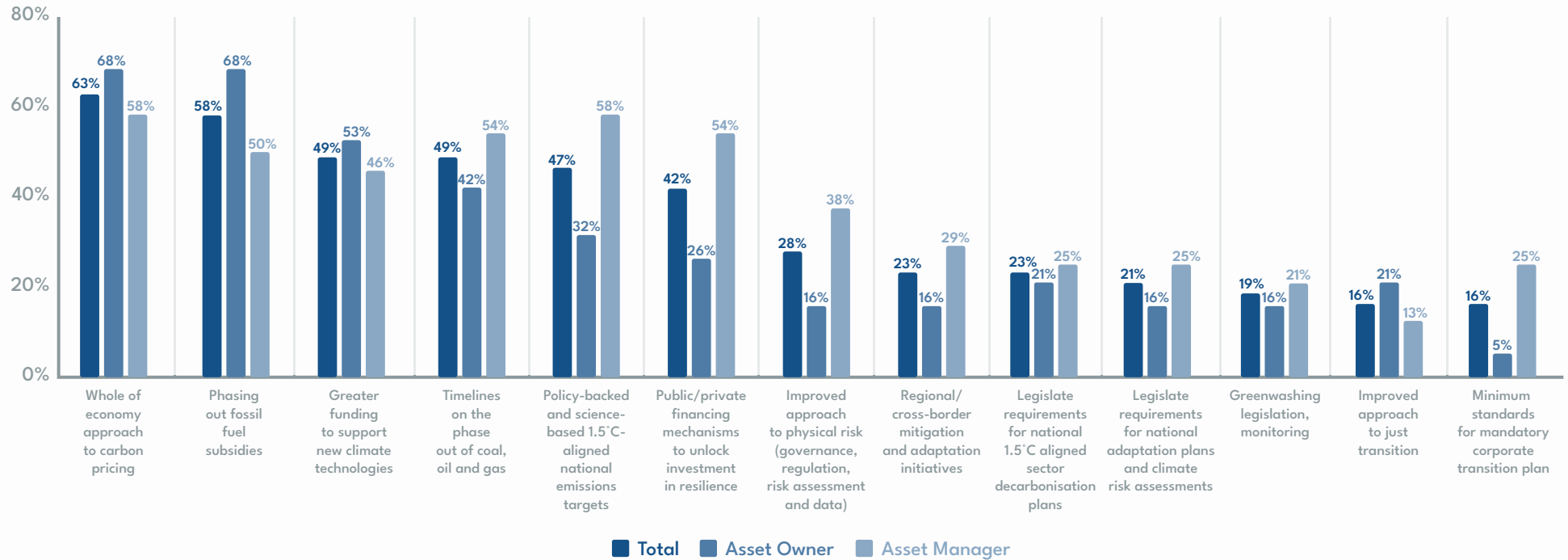


# Additional Data: Policy Environment

**Appendix Figure 8. Overall, have you seen barriers to climate investing improve or worsen over the previous 12 months?**

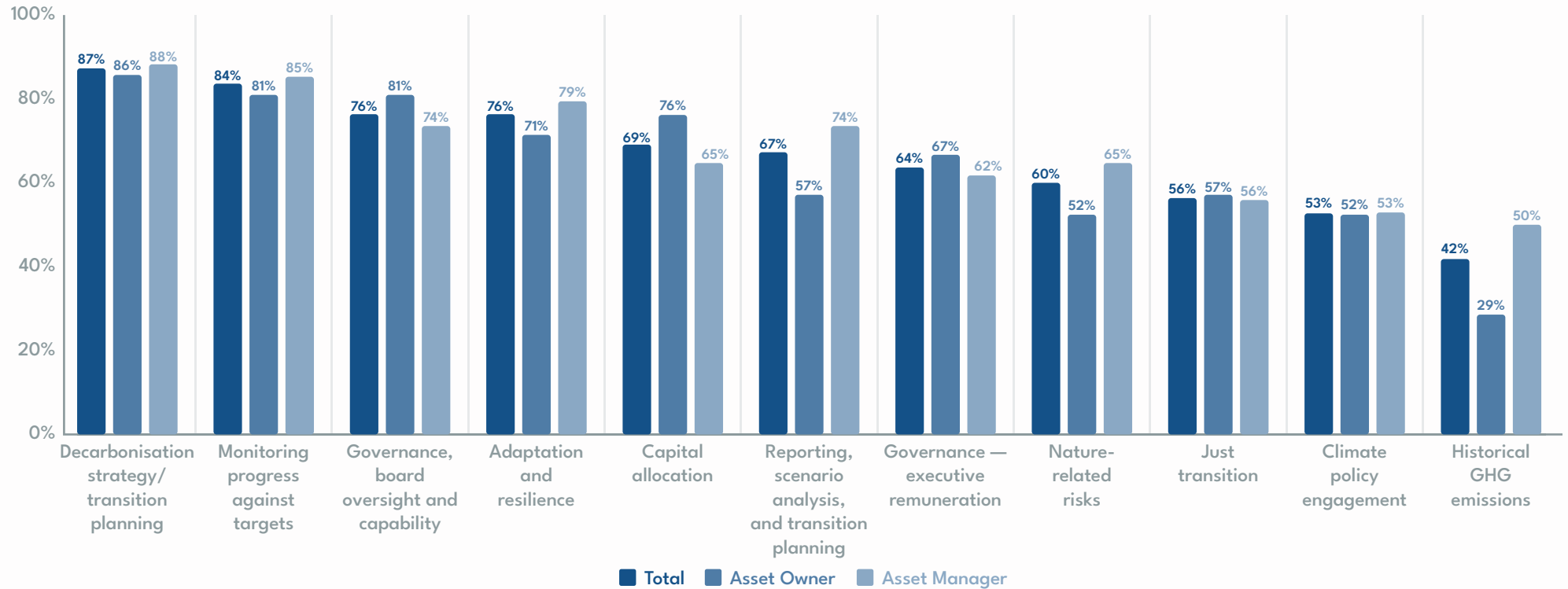


**Appendix Figure 9. What do you think should be the key climate-related priorities of the national government?**



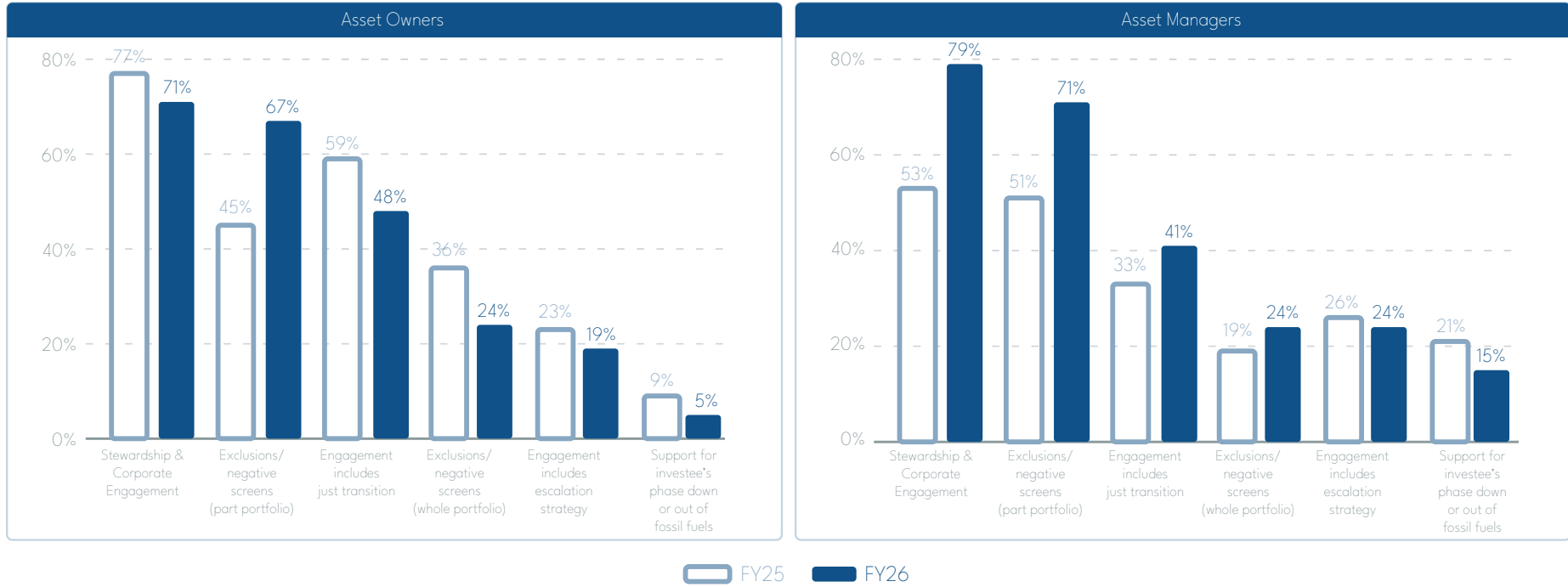
## Additional Data: Corporate Engagement

Appendix Figure 10. With regard to your climate-related corporate engagements with investees, which of the following focus areas do you engage on?



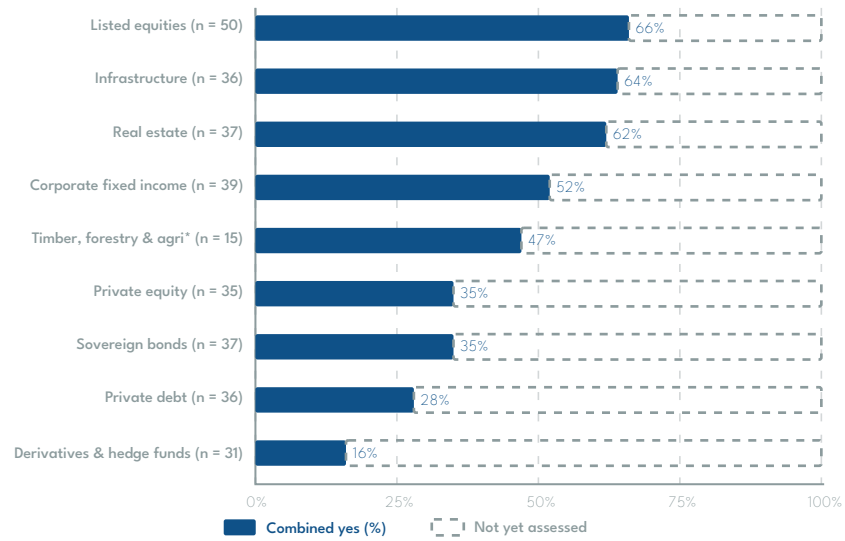
# Additional Data: Investor Approaches to Fossil Fuel Companies

Appendix Figure 11. Organisational approach to fossil fuels (Asset Owners and Asset Managers)



## Additional Data: Physical Risk Assessments

Appendix Figure 12. Physical risk or resilience assessment by asset class.





Investor  
Group on  
Climate  
Change

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