

AUSTRALIA'S CLIMATE-REPORTING EFFORT HAS BUILT A POWERFUL FOUNDATION. THE NEXT DIVIDEND MUST COME FROM ACTION

Appendix: Detailed findings underpinning the summary table

1. Where have we moved the dial?

Governance has moved climate risk into the boardroom

The clearest collective strength of the reports is the governance architecture companies have established. Governance was the strongest of the four reporting pillars, with an average score of approximately 91% in our rating system. Of the reports assessed, almost all were rated Strong for identifying the governance body responsible for climate oversight, and a similar number were Strong in explaining management responsibilities, controls and reporting lines.

The reports commonly assign ultimate accountability to the board, delegate detailed oversight to audit, risk or sustainability committees, and establish reporting pathways from management to those committees. Executive responsibility is frequently allocated to the chief executive, chief financial officer or other senior leaders, with sustainability, risk and finance teams responsible for implementation. This represents an impressive uplift for a topic that may have had no formal ownership previously.

This formalisation matters for the Australian economy. Climate risk is less likely to remain an unowned or peripheral issue when responsibilities are documented, reporting lines are established and escalation processes are defined. It also gives investors and other stakeholders a clearer basis for assessing whether climate matters receive appropriate attention at the highest levels of an organisation.

Board capability is also becoming more visible. In more than 75% of assessments, companies were rated Strong for board and committee skills and competencies. The reports describe mechanisms such as board skills matrices, director experience, external advisers, targeted climate and reporting training, and periodic capability assessments.

These disclosures do not prove that every board has mastered the issue. They do, however, show that climate capability is increasingly being treated as something that must be actively developed and demonstrated rather than simply assumed.

Companies are increasingly clear about where climate risk resides

Identification of climate-related risks and opportunities is the most consistent strength in the dataset. All reports assessed received a Strong assessment in this area. Companies generally distinguish between physical and transition risks, define applicable time horizons and explain the nature of the exposures facing their businesses.

The stronger disclosures go beyond generic descriptions. They connect risks to specific assets, operations, geographic locations, supply chains, customers or markets. Approximately 90% of reports were Strong in explaining how climate-related risks and opportunities could affect the business model and value chain.

Taken together, the reports create a detailed, bottom-up picture of Australian economic vulnerability. They identify recurring exposures such as floods, bushfires, cyclones, extreme rainfall, heat, drought, water scarcity and sea-level rise. They also consider transition

pressures including carbon and energy prices, regulatory change, reporting obligations, insurance availability, technology developments, changing customer expectations and supply-chain disruption.

Because these issues are considered across different sectors, the reports provide visibility over how climate shocks could pass through assets, supply chains, infrastructure, financial institutions and communities. This is valuable not only for individual companies but also for investors, lenders, regulators and governments seeking to understand concentrations of economic risk.

Scenario analysis has become an established discipline

Climate scenario analysis is another major strength. It was assessed as Strong in almost all of the reports, as was consideration of the Australian scenario requirement involving a scenario of 1.5°C or lower and another above 2°C.

Companies commonly assess multiple temperature pathways, consider both physical and transition effects, use recognised external scenarios and datasets, and examine implications across short-, medium- and long-term horizons. The stronger reporters identify the assets, operations or value-chain activities that may be vulnerable under different conditions.

The public value of this work is not that every scenario produces a precise forecast. Climate scenarios necessarily involve uncertainty. Their benefit lies in requiring companies to test strategies against more than one possible future, disclose assumptions and identify potential weaknesses before those conditions arise.

This is an important development in corporate decision-making. It introduces a more structured way of considering uncertainty, resilience and strategic optionality. It also enables users to compare how companies in different industries understand and prepare for climate-related change.

Emissions, metrics and targets are more visible

The reports have established a far broader base of climate metrics. All the assessed reports were Strong in describing the metrics used to evaluate climate-related risks and opportunities. The reports also presented complete Scope 1 and Scope 2 emissions disclosures.

Reporting on targets is similarly widespread, with most reports rated Strong. Common features include stated target years, baseline years, defined boundaries, interim emissions targets, current-year performance and explanations of changes in emissions. Many companies also describe longer-term net-zero or decarbonisation ambitions.

This provides a stronger basis for comparison and accountability. It also gives companies a platform on which to improve data quality, internal controls and assurance. While the precision and completeness of methodologies vary, the reporting process has created a common starting point from which the market can mature.

Australia has gained organisational capability, not simply reports

The effort required to produce these disclosures should not be underestimated. Companies have had to bring together disciplines that have not always operated as part of an integrated system discussing a topic they might have had no prior knowledge of. Climate science, scenario modelling, finance, impairment assessment, enterprise risk, emissions measurement,

governance, internal controls, legal interpretation and external assurance are all newly acquired skills being tested here.

The reports present evidence of board training, external briefings, specialist advisers, cross-functional working groups, updated policies and revised skills matrices. Australia has therefore gained more than a collection of published reports. It has developed a larger pool of directors, executives, finance teams, risk professionals and specialists with knowledge of this crucial topic.

That capability has value well beyond compliance. The systems created to collect emissions data, assess risk, test scenarios and support assurance can improve planning, investment evaluation and operational decision-making. The work has also created a common language through which boards, management teams, investors and regulators can discuss climate-related, and other financial risks.

2. Maturity gaps identified

The central gap is the translation from analysis to decisions

For all the progress, the reports reveal a clear maturity gap. Companies are much stronger at explaining who is responsible, what the risks are and which processes exist than they are at quantifying exposure or showing how the analysis affects decisions.

Metrics and Targets was the weakest pillar, with around two-thirds of companies delivering robust disclosures.

The largest weakness is the limited measurement of climate exposure. Metrics for transition-risk exposure were Weak or Not disclosed in more than 75% of reports. Meanwhile, physical-risk exposure metrics were Weak or Not disclosed in 141 or around 60% of reports.

Reports may identify that floods, heat, regulation or technology change could affect the business, but frequently stop before quantifying the assets, revenue, earnings or operational capacity exposed. They also rarely provide potential loss ranges, impairment sensitivities or the costs arising under different scenarios.

This leaves users understanding the nature of the risk without necessarily being able to assess its financial significance.

Scenario analysis must become more consequential

A similar disconnect appears in scenario analysis. Although conducting scenario analysis is an established strength, more than 75% of reports do not clearly explain how its results informed risk assessment.

The missing connection is practical consequence. Reports do not consistently show whether scenario results changed risk ratings, elevated or deprioritised particular risks, led to stronger controls, altered forecasts or accelerated investment. Links to impairment testing, asset lives, budgets and capital planning are also frequently unclear.

The next generation of reporting must answer a straightforward question: what changed because the analysis was undertaken? Scenario work becomes more valuable when users can see which decisions it influenced, which investments were approved or reconsidered, and how management adjusted its response.

Targets need funding and executable transition plans

Transition planning remains another significant weakness. In more than 75% of the reports transition plans were Weak or Not disclosed. Many companies report targets and individual initiatives but provide no complete pathway explaining how those targets will be delivered.

Common omissions include interim milestones, accountable owners, implementation schedules, investment requirements, dependencies, constraints and progress measures. The effect is that a destination may be stated without a credible roadmap for reaching it.

Capital allocation has a closely related weakness. Quantified capital deployment was Weak or Not disclosed in more than 75% of disclosures. Companies often state that climate is integrated into strategy or capital allocation but do not disclose how much capital has been committed, when it will be deployed, which projects it will support or how much abatement or adaptation it is expected to deliver.

For investors and boards, this information is essential. Ambition becomes more credible when it is connected to funded initiatives, financial planning and operational accountability.

Financial effects and methodologies require greater depth

Current climate-related financial effects were Weak or Not disclosed in around a third of reports, while anticipated financial effects were Weak or Not disclosed in about the same number. Reports do not consistently quantify effects on cash flows, asset values, impairment, operating costs, insurance, financing costs or access to capital.

Statements that an impact is not material are substantially more useful when accompanied by the assumptions, thresholds and analysis supporting the conclusion. Greater connectivity with financial statements would also help users distinguish between general awareness of climate risk and exposure that could affect corporate value.

GHG measurement methodologies require improvement as well. In well over 75% of reports, methodological disclosure was Weak or absent. Common gaps include organisational and operational boundaries, consolidation approaches, emissions-factor sources, estimation techniques, acquisitions and divestments, base-year recalculations and data-quality limitations.

Internal carbon pricing and climate-linked remuneration are also underdeveloped. Carbon prices are frequently absent or mentioned without the price, methodology or intended application. Remuneration disclosures often omit the specific climate metric, its weighting, performance thresholds and the resulting remuneration outcome.