

Promises, Pathways & Performance

Climate Change Disclosure in the ASX200

August 2023



About ACSI

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

Our members include Australian and international asset owners and institutional investors which collectively manage over \$1 trillion in assets.

Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

ACSI staff undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.



26 Australian & international investors



Leading voice on ESG issues and advocacy



ACSI members manage \$1 trillion in assets

Acknowledgement of Country

We acknowledge and respect the traditional lands and cultures of First Nations people in Australia and globally. We pay our respects to Elders past and present and recognise First Nations peoples' longstanding and ongoing spiritual connections to land, sea, community and Country. Appreciation and respect for the rights and cultural heritage of First Nations peoples is essential to the advancement of our societies and our common humanity.

Table of Contents

About ACSI	2
Table of Contents	3
Foreword	4
Key Findings	5
TCFD Adoption	6
Mandatory climate reporting.....	7
Net Zero Emissions Commitments	8
Carbon neutral.....	9
Leading and laggard sectors.....	9
Decarbonisation Pathways And Targets	11
Transition planning	11
Say on Climate votes.....	11
Interim emission reductions targets.....	12
Scope 3 emissions reduction targets	13
Science-based targets	14
Shadow carbon price	14
Carbon Offsets: Credibility, Usage And Retirement	17
Hierarchy of use	19
Types of carbon offsets	21
Offset retirement	21
Carbon neutral	23
Disclosure of offsets must improve	23
Transition Risk Scenario Analysis: Demand In Net Zero Future	24
Climate scenario analysis increases	24
Paris-aligned scenarios.....	25
Comparability of climate scenarios remains a challenge	26
Physical Risk Assessment	28
Company disclosure.....	28
Examples of good practice	29
Policy moves.....	31
Just Transition	32
Appendix	33
Emission reduction targets set by the ASX200	33

Foreword

The ASX200 is ramping up efforts on climate reporting, with nearly 75% of the index committing to or reporting against the Taskforce for Climate-related Financial Disclosures (TCFD) framework. That's up from 66% last year, and well beyond 2017's 10.5%.

What's more, 61% of the index has now made a commitment to Net Zero, compared to just 48% a year ago. This represents 80% of the market capitalisation of ASX200 having set a net zero commitment.

With strong encouragement from investors, the management and disclosure of climate risks and opportunities is continuing to mature elsewhere across the ASX200 as well, including uplifts in targets across sectors. This reflects the systemic nature of climate change, which presents a material financial risk affecting the entire ASX200.

While these improvements are positive, investor expectations of company reporting on climate risk and opportunity are increasing.

Mandatory climate disclosures will assist investors in understanding individual company transition plans and managing portfolio-level climate risk, through comparable and consistent market-wide financial climate reporting. It will also bring along remaining disclosure laggards.

This focus from policymakers, regulators, investors and others reflects the fact that time is running out to keep warming to 1.5°C above pre-industrial levels. Frequent and intense weather events around the globe illustrate the growing financial and societal cost of overshooting this target.

Despite improvements across the market there are still notable climate disclosure gaps, which make it difficult for investors to assess how resilient a company might be in the transition to a low-carbon economy and how aligned its approach is to the goals of the Paris Agreement.

Transition plans and emissions targets lack detail, depth, comparability and credibility. Greater transparency is required on carbon offset use and management of transition and physical risks. Just a small minority of companies account for all of their emissions – Scopes 1, 2 and 3 within their targets.

Last year, our [Promises, pathways & performance](#) research found too many companies made net zero commitments without short, medium and long-term emissions reduction targets. Such targets provide crucial details about the company's planned trajectory and underpin how the commitment will be met. This year, while we found a 26% jump in the setting of medium-term targets, there remain 14% of companies with net zero commitments that still have not set any interim targets at all.

There is clearly a long way to go, but there are clear signs that many ASX companies are now focussing on the net zero transition, and that most recognise its importance to their long-term success. With the encouragement of investors and others, I believe next year's research will reveal fewer reporting gaps and much more detailed disclosures – necessary steps as 2030 fast approaches.



A handwritten signature in black ink, appearing to read 'Louise Davidson'.

Louise Davidson
Chief Executive Officer

Key Findings

This research relies on information publicly reported by ASX200 companies up to 31 March 2023 (**2022 Reporting**), including annual reports, sustainability reports, TCFD and climate reports, company websites and ASX announcements. We have not independently verified this information. The report does not provide an opinion on the effectiveness of the company's implementation, and any analysis is taken from the company's own statement of its performance. Additional context was drawn from ACSI's ongoing engagement with directors of ASX200 companies.

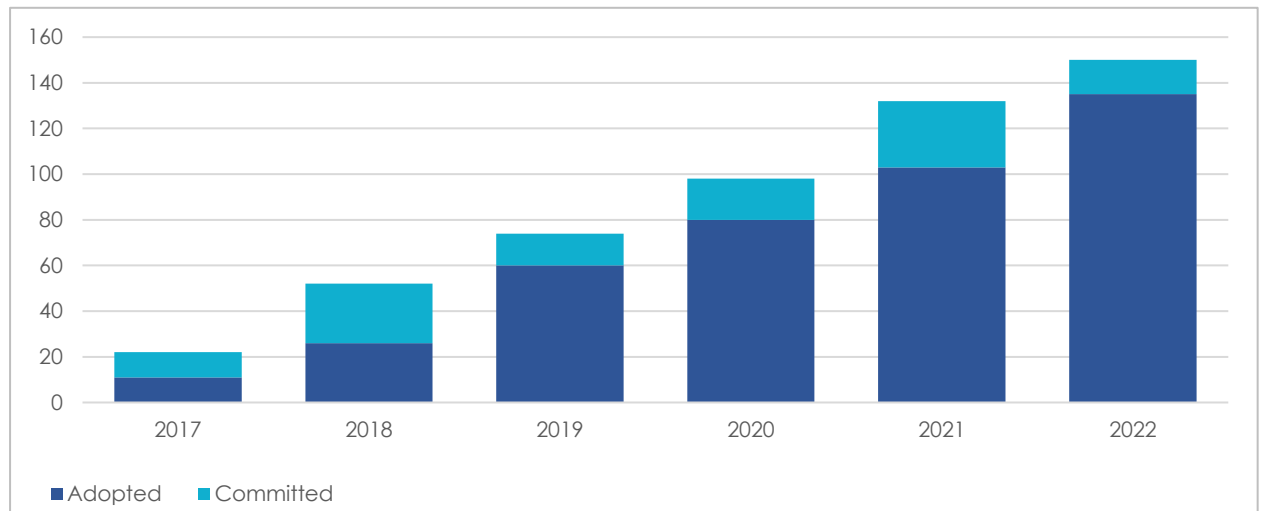
- ▶ **TCFD Reporting** is at a record high, with 75% of the ASX200 (150 companies) committed to or already reporting against the TCFD framework (66% last year).
- ▶ **Net zero:** 61% of the ASX200, or 121 companies, have made net zero commitments, compared to just 48% last year.
Australia's largest companies have committed to the transition, with 80% of the market capitalisation of the ASX200 having set targets to transition their companies to net zero emissions.
- ▶ **Targets:** Medium-term (from 2026-2039) emission reduction targets have increased by 26% since last year. A 9% decline in short-term targets (to 2025) since last year is due to both changes in the ASX200 index and to companies having met their short-term targets. Fourteen percent of companies with net zero commitments have no interim targets, which calls into question the credibility of their net zero commitments.
Scope 3 targets remain rare, with only 43 companies, or 22% of the ASX200, setting some form of Scope 3 target (up from 27 companies, or 14% of the ASX200 last year). However, 110 companies reported Scope 3 emissions, so their next step must be to develop strategies to reduce those emissions.
- ▶ **Carbon prices used for investment decisions:** 41 companies from the ASX200 have set a carbon price that they disclose, is used in investment and capital decision-making, up 41% from last year.
- ▶ **Science-based targets** aim to ensure emission reduction targets are externally verified to be consistent with climate science. Only 25% of the ASX200 (49 companies) have set a science-based target (up from 36 companies, 18% last year). This includes companies with partial, verified or accredited targets and those which disclose they are science-based without accreditation. Another 5% have committed to updating their targets to be science based. Whilst the increase is positive, 71% of the ASX200 remains without science-based emission reduction targets.
- ▶ **Offsets:** Carbon offsets form part of many companies' climate strategies, however disclosure on the quantity, type, projects and hierarchy of their use is limited. Forty-eight percent of companies make some reference to offsets, but only 29% refer to a hierarchy – that is, their stated intention to first reduce emissions through abatement and use offsets only for residual emissions.
- ▶ **Scenario analysis:** There has been a significant increase in companies' disclosure of scenario analysis, with 118 companies (59%) of the ASX200 disclosing undertaking of it (up from 88 companies, or 44% last year). Importantly, 91 of those companies (46%) disclose use of a 1.5°C or below 2°C Paris-aligned scenario (up from 76 companies or 38% last year). Despite its importance in testing future business resilience to transitional and physical climate risks, the analysis (quality, depth, quantitative assumptions) and scenarios used vary, making comparison and assessment difficult.
- ▶ **Physical risk disclosure** lags in quality and depth, with 118 ASX200 companies (59%) undertaking and disclosing some analysis of climate physical risk assessment (up from 84 companies or 42% last year). However only 61 companies (31%) provide disclosure deeper than a basic assessment (up from 41 companies or 21% last year). An example of better practice disclosure may include quantitative assessment of increased fire risks to regions under higher degree climate scenarios.

TCFD Adoption

Seventy-five percent of the companies in the ASX200 have adopted, or committed to adopting, the TCFD framework.

The upward trend of listed companies aligning disclosures to the TCFD continues apace, with 135 ASX200 companies using the framework to guide their climate disclosures – a 31% increase on the prior year.

Figure 1: ASX200 companies adopting or committed to TCFD disclosures over time



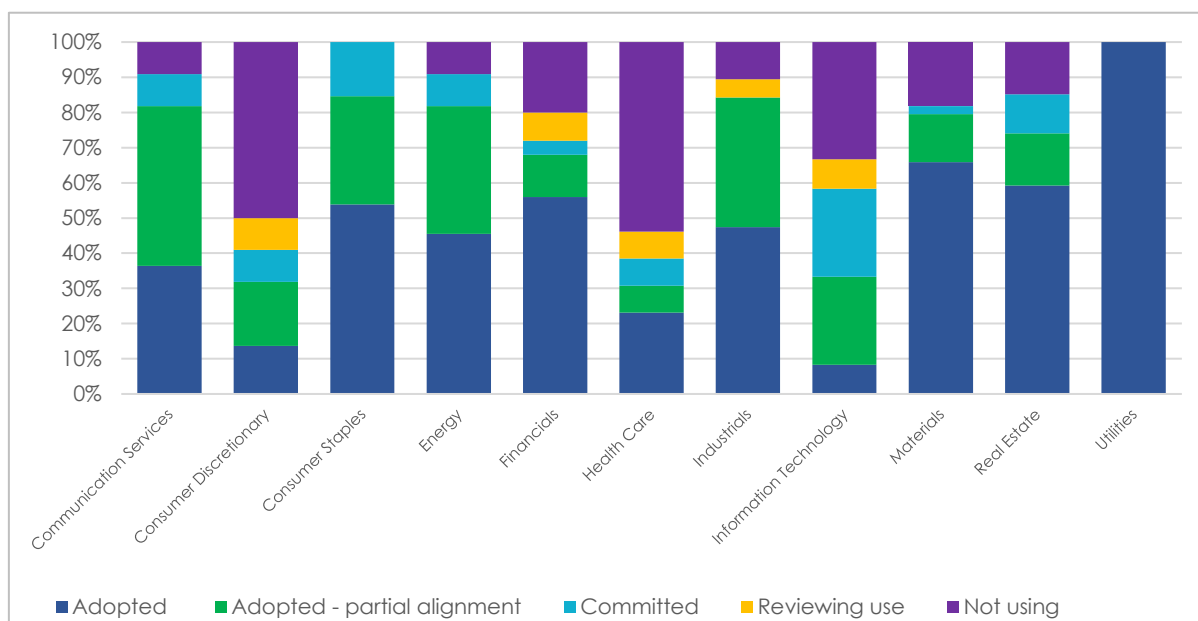
A further 15 companies have committed to adopting the TCFD framework, which means in the next reporting period, nearly 75% of the ASX200 will use it to report their climate risks and opportunities. This take-up highlights the increased recognition of the systemic and financially material climate change risks impacting Australian companies and affecting the wider economy. It also reflects the growing expectations of key stakeholders, including regulators and investors, who are often seeking comparable and decision-useful information on how climate change may affect a company's long-term performance.

While the positive trends in TCFD reporting are welcome, the quality of analysis, transparency of methodologies and depth of disclosure varies considerably across companies. Too many companies are only at the stage of 'partial' alignment to the TCFD framework for their disclosures, illustrated in Figure 2, below.

The energy sector is significantly exposed to climate-related risks and opportunities, but the high number of companies in that sector that only partially report against the TCFD framework highlights a disclosure gap. While partial alignment to the TCFD indicates an understanding of the need to use the framework to assess climate risk and the intention to do so, the pace of adoption needs to quicken.

Figure 2 highlights that some sectors, including Information Technology, Consumer Discretionary and Healthcare, continue to lag others in TCFD adoption.

Figure 2: Sector comparison of ASX200 companies' use of the TCFD framework



Full alignment to the TCFD framework does not always correlate with sufficient disclosure. Some companies make broad, sweeping statements, with little qualitative or quantitative detail about how climate risk manifests in its specific circumstances, or what steps the company is taking to manage the risks identified. Adoption of mandatory climate reporting standards throughout the Australian market will hopefully help bridge the reporting gap and support economy-wide comparable climate-related risk assessments, assisting investors in managing climate-related risks within their portfolios.

Mandatory climate reporting

With knowledge of, and alignment to, the TCFD now well established within the ASX200, the Australian Government is consulting about introducing mandatory climate-related financial disclosures. It is proposed these would apply to Australia's largest listed and unlisted companies and financial institutions from 1 July 2024 and would align with international climate disclosure standards developed by the International Sustainability Standards Board (ISSB). As identified in Figure 2 above, the sectors lagging the broader ASX200 market on adopting TCFD reporting will have to significantly improve reporting to meet the new standards.

Information on investee companies' exposure to physical and transitional risks is critical in assisting investors in managing their portfolio exposure to systemic climate change. This information is integrated into investment processes, and used by investors in investment analysis, risk assessment, stewardship activities and investment due diligence. Superannuation funds, such as ACSI's members, invest across global markets and need consistent and comparable disclosure. The lack of a standardised approach to climate reporting means the quality of reporting varies widely.

Mandatory disclosure of climate information, including emissions, targets, strategy and risk management processes, would enable investors better to understand proposed responses to climate risk and opportunity.

Mandatory reporting would act to lift the market as whole – improving disclosure by laggard companies and driving transparency on climate change approaches for Australia's largest companies. With 68% of the ASX200 already disclosing under the TCFD, those with more mature existing disclosures will be better placed to meet the anticipated reporting requirements.

Net Zero Emissions Commitments

By 31 March 2023, 121 ASX200 companies had made a net zero commitment, compared to 95 (48%) last year. This signals the scale and pace of the intended transition – with 61% of Australia's largest listed companies having set public commitments to reduce their emissions to net zero by 2050 or earlier.

Figure 3: Growth of net zero targets in the ASX200.

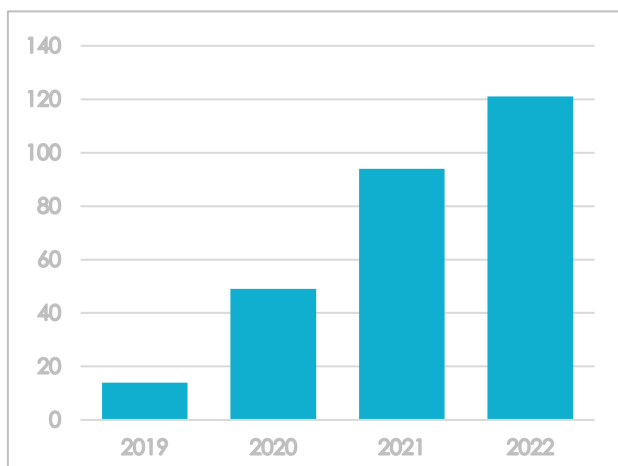
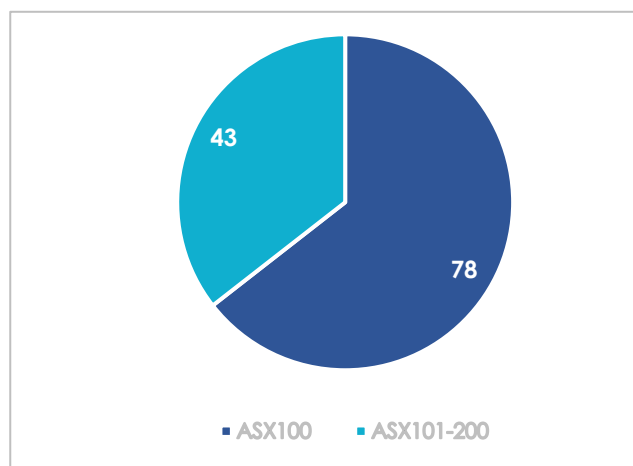


Figure 4: Number of net zero commitments within the ASX100 and ASX101-200.



The ASX200 collectively represents over \$2 trillion of market capital, and 80% of the market capitalisation of the ASX200 companies have committed to transitioning to net zero.

Whilst this increase in net zero commitments is positive and a clear signal of the pace of the transition, the disclosure of interim targets to achieve net zero commitments is lacking in many companies.

What is included in net zero commitments is also an important consideration. The majority of net zero commitments cover only operational Scope 1 and 2 emissions. In many cases, companies do not provide clear detail on what emissions are covered by their net zero commitment. In some sectors, Scope 3 emissions represent a material portion of a company's emission profile, so this lack of transparency or targets can create a large gap in reporting. For example, Lendlease has adopted a net zero commitment across Scopes 1, 2 and 3 by 2040.

Carbon neutral

Companies' approaches to carbon neutrality are important. Net zero commitments require companies to reduce emissions through efficiencies and abatements, with the balance of any 'residual' emissions being offset. 'Carbon neutral', on the other hand, means a company does not reduce the emissions from their business, but purchases and retires carbon credit reduction units equivalent to their emission output, thereby 'offsetting' their emissions. However, it is clear that some companies use the terms interchangeably. As discussed below under '[carbon offsets](#)', it is a common expectation that using carbon offsets to meet climate targets should only occur after companies have made all efforts to prioritise the reduction in their own emissions.¹ To reach net zero, real emissions reduction is required. Companies with carbon neutral targets should strive for long-term net zero commitments.

Forty-eight companies, 24% of the ASX200, have set targets to reach carbon neutrality across their operations. This requires the purchase of carbon offsets, with claims often certified by an Australian Government entity, Climate Active. Of these 48 companies, 15 are only targeting (or have obtained) carbon neutral status, whilst the remaining 33 also have complementary longer-term net zero commitments.

Leading and laggard sectors

Since 2021, there has been a material uplift in net zero commitments in previously underrepresented sectors, including Health Care, Financials, Information Technology, Consumer Discretionary and Communication Services. Utilities, Consumer Staples and Real Estate remain the leading sectors, as displayed in Figure 5 and 6.

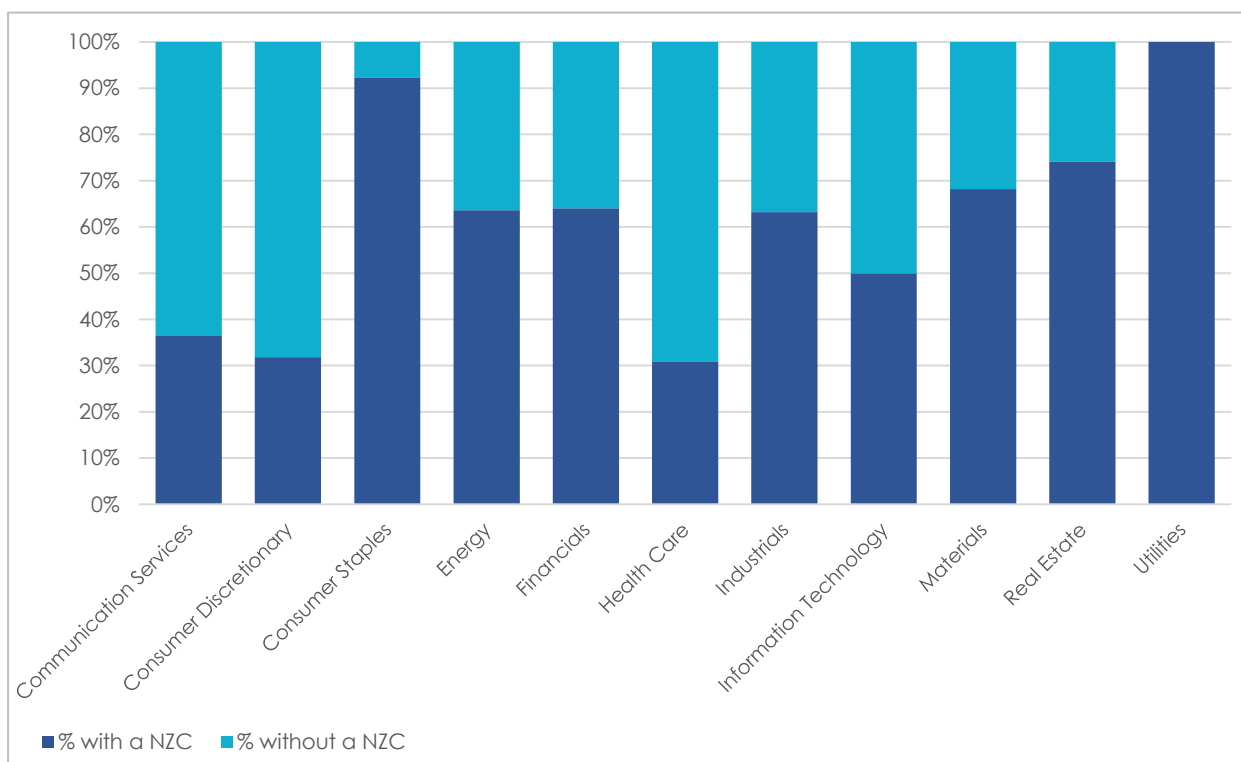
Disappointingly, a number of high-risk sectors – including Energy and Materials have stalled in their progress, with similar levels of adoption as prior years. The increase in reporting across sectors reflects the fact that climate change has economy-wide financial risks and there is a growing recognition in all sectors of the need to develop strategies to achieve net zero.

¹ [The Oxford Principles for Net Zero Aligned Carbon Offsetting, September 2020](#).

Figure 5: Comparison of the percentage of ASX200 companies with net zero commitments from 2021 to 2022 reporting periods.

Sector	Net Zero Commitments 2021	Net Zero Commitments 2022
Communication Services	25%	36%
Consumer Discretionary	21%	32%
Consumer Staples	69%	92%
Energy	67%	64%
Financials	45%	64%
Health Care	0	31%
Industrials	53%	63%
Information Technology	25%	50%
Materials	68%	68%
Real Estate	71%	74%
Utilities	100%	100%

Figure 6: percentage of ASX200 companies with and without net zero commitments by sector



Decarbonisation Pathways And Targets

Transition planning

Net zero commitments are a critical step towards reducing Australian, and global, emissions. However, without a credible and transparent transition plan, it is impossible for investors to assess how a company will reach its net zero commitment and whether it is effectively managing its climate risk.

A growing number of companies now publish climate 'transition plans' outlining their path to net zero emissions, including the key abatement projects, interim emissions reduction targets and the barriers they face in delivering on their net zero commitments.

The approach taken to reporting transition plans varies. In the UK, there is an effort to lift standards and the [Transition Plan Taskforce \(TPT\)](#) has recently published the [TPT Disclosure Framework](#), a sector-neutral framework that can build on the ISSB's IFRS S2, TCFD and Glasgow Financial Alliance for Net Zero, to recommend disclosure standards for high-quality transition plans. [Implementation Guidance](#) was also published to support entities in implementing the TPT Disclosure Framework, outlining key steps and the alignment of each element to the TCFD and ISSB. The TPT is now focusing on developing sector guidance, with ongoing consultation.

The TPT Disclosure Framework and Implementation Guidance is expected to inform the Australian market, where the current proposal is for companies to disclose if they have a transition plan in place. Credible and internationally comparable transition plans assist investors in better assessing and managing their climate exposure. In turn, companies that implement high quality transition plans are more likely to attract and retain the quality, long term capital necessary to deliver their decarbonisation strategy.

Say on Climate votes

The number of climate transition plans being put forward for an advisory shareholder vote grew over the 12 months to March 2023, with the ASX companies that have put forward an advisory 'Say on Climate' vote in the 2023 reporting period detailed in Figure 7 below. ACSI expects further companies to follow suit in the next AGM season.

Figure 7: Companies putting forward 'Say on Climate' votes in the reporting period

Company	Industry	Year	Result (% of votes "For")
Origin Energy	Electric Utilities	2022	95%
Incitec Pivot	Chemicals	2023	89%
South32	Metals & Mining	2022	89%
Sims	Metals & Mining	2022	89%
Rio Tinto	Metals & Mining	2022	84%
APA Group	Gas Utilities	2022	79%
AGL Energy	Multi-Utilities	2022	69%
Santos	Oil, Gas & Consumable Fuels	2022	63%
Woodside Energy Group	Oil, Gas & Consumable Fuels	2022	51%

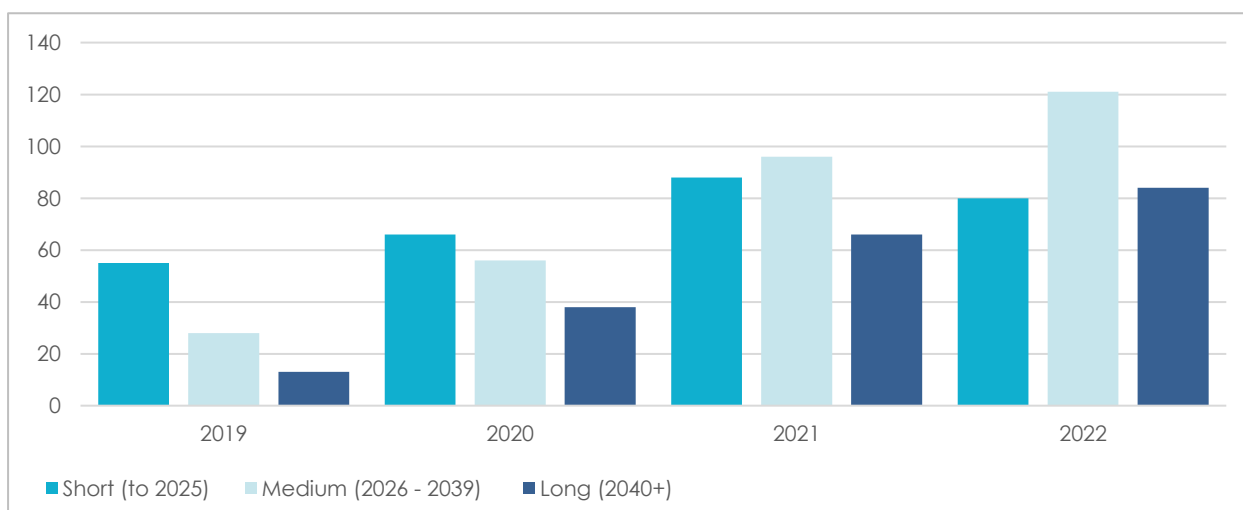
Interim emission reductions targets

Fourteen percent of companies with a net zero commitment have no interim targets (short or medium-term targets) to meet this commitment. The lack of interim targets creates a question over the credibility of a company's ability to deliver real emission reductions in the short, medium and long term.

As Figure 8 below shows, the number of short-term targets (emissions reduction targets for 2025 or sooner) set by ASX200 companies has decreased by 9% since last year, this is due to both changes in the constituents of the index (and therefore dataset) and some companies meeting their short-term targets, and not resetting these targets, likely given the shorter timeframes (to 2025) to deliver on their commitments.

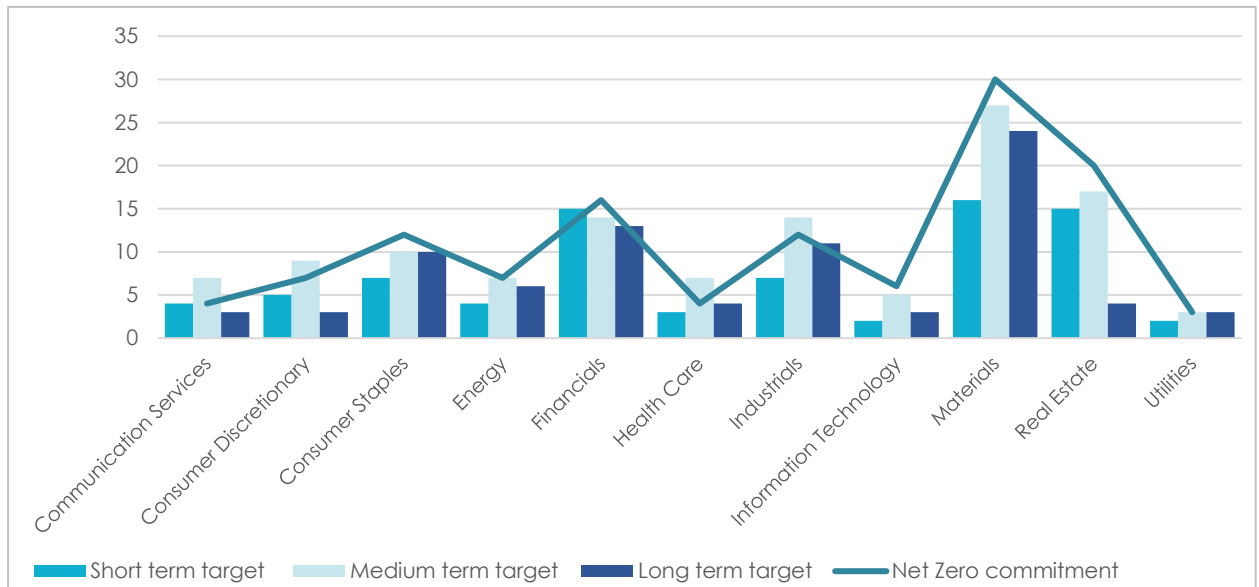
On the other hand, medium-term targets (that is targets set for periods between 2026-2039) have increased 26%, which is likely reflective of increased stakeholder focus and advocacy on credible target-setting and management accountability, including from investors.

Figure 8: ASX200 emissions reduction targets



As Figure 9 highlights, the number of companies with net zero commitments outpaces those setting interim emissions reduction targets across all sectors. Companies that have net zero commitments without a transparent pathway of how the company will deliver the required emissions reductions may face risks in future access to capital and legal risks.

Figure 9: Net zero commitments and interim targets by sector



Scope 3 emissions reduction targets

Scope 3 can be the most material of the emissions Scopes, particularly for companies that supply commodities used in emissions intensive processes. Yet, as ACSI's [Chasing 1.5°C](#) report outlined, ASX200 reporting often does not address material Scope 3 emissions.

There has been limited improvement over the past year, with 22% of the ASX200 having set a Scope 3 target (43 companies, up from 27 companies last year). Existing targets range from quantified emission reductions, reductions of specific types of Scope 3 emissions (such as associated shipping) to activities and milestones to reduce Scope 3 emissions, and the inclusion of Scope 3 emissions in some net zero commitments. ACSI recognises that setting Scope 3 targets is a challenge and may rely on actions outside of a company's operational control, including from customers, however better practice companies have developed strategies to reduce their Scope 3 emissions.

More than half of the ASX200 now report Scope 3 emissions data (110 companies), with others indicating that they are developing strategies to measure and address Scope 3 emissions. ACSI expects this number to increase as economy wide-transition and target setting matures.

Science-based targets

The Science Based Targets Initiative (**SBTi**) methodology is used globally and offers authoritative guidance on generally required targets, as well as specific sector guidance. Of course, given it is global in nature and broad based (even where there is sector guidance available), Australian companies may encounter nuances that create barriers to implementation. Despite this, investors within Australia and internationally, as well as companies, recognise the important role of the SBTi for scientifically-informed target setting.

Nearly a quarter of the ASX200, 49 companies have set a science-based target, up from 36 companies last year, (including those with partial, verified, accredited targets and those which disclose their targets are science based without accreditation), with an additional 5% committed to updating their targets to be science based. That leaves 71% of the ASX200 without science-based emission reduction targets.

The implementation of mandatory climate disclosure requirements, as well as the Australian Government's commitment to develop sector pathways to achieve net zero could see an acceleration the number of companies in setting verifiable, science-aligned targets. Investors often seek credible, science-backed emission reduction targets and pathways, and increased disclosure of science-backed targets will assist investors manage climate risk.

Shadow carbon price

An increasing number of companies are integrating an internal carbon price into their capital budgeting processes, investment decisions and scenario analysis. In 2022 Reporting, 41 ASX200 companies disclosed an internal carbon price - a 41% uplift on last year.

A further 18 companies test business resilience by integrating carbon prices into climate scenario analysis (as opposed to also integrating into investment and capital decision making). The increasing use of internal carbon prices within climate scenario analysis indicated a growing recognition of the potential acceleration in carbon pricing policy adoption and regulations around the world. Already, carbon pricing policies are emerging or in place in different regions and markets, such as the introduction of the European Union's 'Carbon Border Adjustment Mechanism' and the Australian Government's reform to the Safeguard Mechanism which sets a maximum price for 2023-2024 period of \$75 p/tCO₂e.

Figure 10 below demonstrates the range of carbon prices ASX200 companies integrate into their capital decision-making processes, with many companies adopting a range of potential prices. Unfortunately, some companies do not disclose their internal carbon price, meaning investors cannot ascertain how investment decisions are 'stress tested' and whether scenario planning accurately reflects expected price increases under differing climate transition scenarios.

Figure 10: Carbon price, or range, disclosed by companies as being used in investment decisions

Company	Disclosed carbon price used in investment decisions
AGL Energy	\$12.50/tCO ₂ -e
APA Group	An "abatement premium" 100% premium to a combination of historical and forecast ACCUs.
Aurizon Holdings	Range up to AU\$100/t CO ₂ -e by 2030
Australia and New Zealand Bank	\$1.6 currency/metric CO ₂ e
Beach Energy Ltd	\$50/tCO ₂ e in 2030 & \$70/tCO ₂ e in 2040
Bhp Group Ltd	Uses global ranges of regional US\$0-175/tCO ₂ -e in FY2030 and US\$10-250/tCO ₂ -e in FY2050, and US\$10-175/tCO ₂ -e in FY2030 and US\$100-250/tCO ₂ -e in FY2050 in BHP's current major operational and market countries.
BlueScope Steel	Ranges applied for regions and for 2025 and 2050 across 4 different scenarios, 1.5°C, 2°C, 3°C and 4°C. Carbon price range for 2025 USD 20-90, range for 2050 USD \$50-400.
Boral Limited	A\$107t/CO ₂ e and A\$130t/CO ₂ e
CSL Ltd	US\$123/tCO ₂ e
Downer Edi Ltd	\$61t/CO ₂ e (scenario analysis also takes in a range from \$0 to \$2,365 over various time periods)
Sims Ltd	Pricing modelled at a range of price points up to AU\$100/t CO ₂ e by 2030.
Fortescue Metals Group	US\$50/tCO ₂ e over the short term (<5 years); US\$100/tCO ₂ e over the medium term (five to 10 years); US\$160/tCO ₂ -e over the long term (10+ years)
GPT Group	\$30t/CO ₂ e
IGO Ltd	\$60/tCO ₂ e
Incitec Pivot	AUD\$38t/CO ₂ e, A\$50 by 2026t/CO ₂ e, A\$65 by 2030t/CO ₂ e, A\$130t/CO ₂ e by 2040 and A\$258t/CO ₂ e by 2050
Lendlease Corp Ltd	\$20USD/tCO ₂ -e in 2020, rising to \$100USD/tCO ₂ e in 2030 and \$140USD/tCO ₂ e by 2040 for investment decisions
National Australia Bank	Uses ranges under a variety of scenarios, including \$US130-\$US250/tCO ₂ e for IEA NZE 2050, \$US37- \$US144/tCO ₂ e under a delayed transition scenario and \$US16 to \$US62/tCO ₂ -e under a current policies scenario (no new tightening)
Newcrest Mining	US\$50/tCO ₂ e and US\$100/tCO ₂ e, unless the jurisdiction has a higher regulated carbon price that supersedes these prices.

Orica Limited	US\$30/tCO ₂ e to US\$60/tCO ₂ e, unless a regulated carbon price is within a jurisdiction, market price is used for commodity analysis, sourcing and procurement and regional sales
Origin Energy	Shadow carbon price assumptions are used in scenario analysis starting at \$75USD/tCO ₂ e in 2025, \$130USD/tCO ₂ e in 2030, \$205USD/tCO ₂ e in 2040 and \$250USD/tCO ₂ e in 2050.
Rio Tinto Limited	\$US75tCO ₂ e
Santos Limited	\$50/tCO ₂ e in 2030
Scentre Group Ltd	\$30-\$45 t/CO ₂ e
South32 Ltd	\$100USD/tCO ₂ e in a below 2°C scenario and \$160USD/tCO ₂ e in 1.5°C scenario
Spark New Zealand	NZ\$140t/CO ₂ e
Stockland	\$15t/CO ₂ e
Suncorp Group Ltd	\$45USD/tCO ₂ e
Vicinity Centres	\$85t/CO ₂ e
Wesfarmers Ltd	\$22/tCO ₂ e (short-term) and \$98/tCO ₂ e (long-term)
Westpac Banking Corporation	Range for stress testing in its scenarios from \$20USD/tCO ₂ e to \$300USD/tCO ₂ e
Woodside Energy Group	\$80USD/tCO ₂ e

Carbon Offsets: Credibility, Usage And Retirement

“The lack of regulation or required disclosure on how offsets are used in business' Net Zero claims, and a lack of clear guidance on what activities should and should not be 'offset', increases [the risk of disincentivising action]. Many companies that use carbon credits do not specify what activities are being 'offset' and largely rely on carbon credits for their Net Zero claims”²

A carbon offset represents a reduction in atmospheric carbon and is purchased to compensate for the carbon emissions produced by the purchaser³. According to the research of the IPCC, the options for reaching a 1.5°C future exist but are rapidly narrowing in the face of a lack of immediate and deep emissions reductions⁴. Under many climate scenarios, emissions offsetting plays an important role in limiting and reducing carbon in the atmosphere.

However, offsets are not a panacea to the climate challenge. They need to be used judiciously by, for example, companies in high emission, difficult-to-abate sectors, as noted in the [Oxford Principles for Net Zero Aligned Carbon Offsetting outlined below](#). With such an important role, offsets must be credible and their use appropriate. Unfortunately, some international evidence suggests that the use of offsets is not “supporting Net Zero globally: low prices and inaccurate claims mean that credits may not be meaningfully reducing emissions, while their use may cause buyers to take less action on their own emissions impact”⁵.

There is growing interest in, and use of, carbon offsets as companies consider how to respond to the climate challenge and meet climate-related targets. In the Australian context, Figure 11 shows the significant growth in business holdings of Australian Carbon Credit Units (**ACCUs**), since Q1 2019. A recent report found that the 25 companies participating in the Corporate Emissions Reduction Transparency (CERT) report 2023, had retired 65% more international offsets than the year before, but 10% fewer ACCUs (163,731 units)⁶.

² Climate Change Committee, Voluntary Carbon Markets and Offsetting, <https://www.theccc.org.uk/publication/voluntary-carbon-markets-and-offsetting/>.

³ <https://www.climatecouncil.org.au/resources/carbon-offsetting-worthwhile/>.

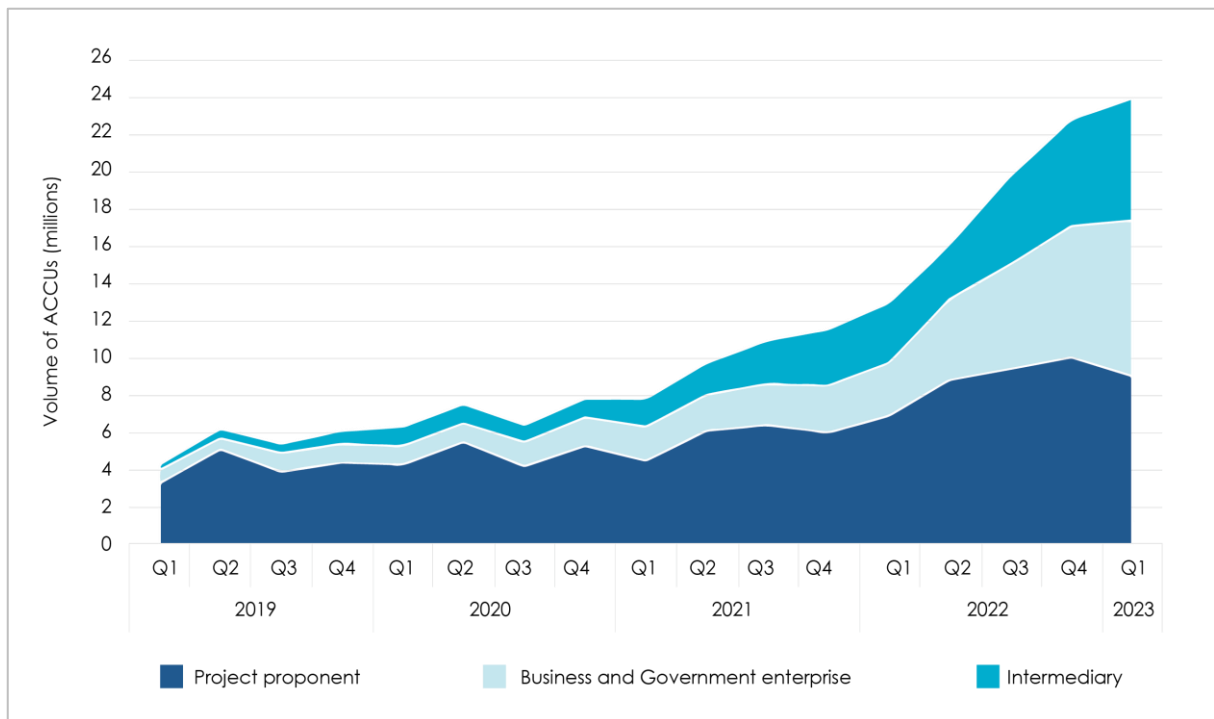
⁴ <https://www.ipcc.ch/2022/04/04/ipcc-ar6-wgiii-pressrelease/>.

⁵ Climate Change Committee, Voluntary Carbon Markets and Offsetting

⁶ Corporate Emissions reduction Transparency Report 2023 highlights:

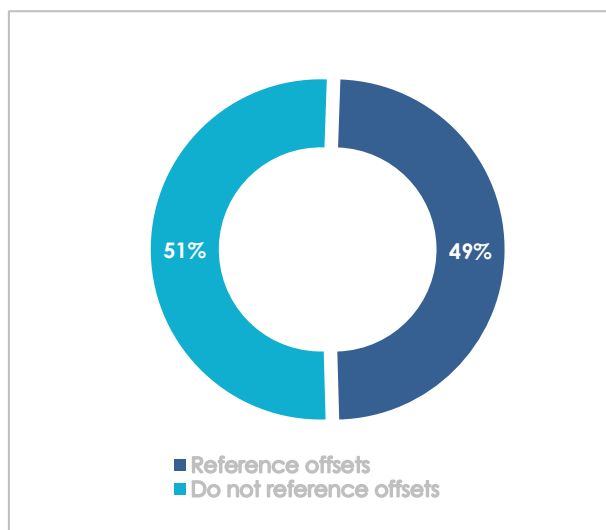
<https://www.cleanenergyregulator.gov.au/Infohub/Markets/cert-report-2023/cert-2023-highlights>.

Figure 11: Clean Energy Regulator, ACCU holdings by market participations, Q1 2019 to Q1 2023.



There is a significant offset data gap as disclosure is currently limited in ASX200 companies. For investors to test the credibility of a company's transition plan in which offsets are used, further market disclosure beyond that evidenced in Figure 12 is required. Closing this disclosure gap is a high priority for ACSI's engagement and advocacy in support of the Australian introduction of the ISSB reporting standards, as outlined below.

Figure 12: ASX200 companies that have disclosure referencing offsets.



Considering the importance of offsets, this year ACSI analysed ASX200 offset disclosures, including the number and type of offsets bought and retired and any reporting references of offset use.

Hierarchy of use

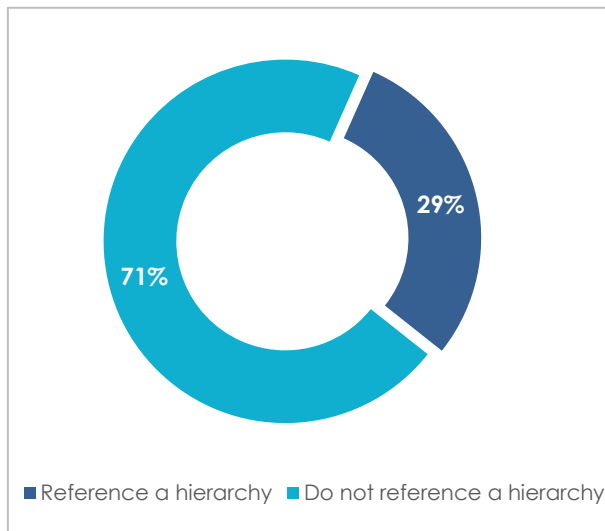
The [Oxford Principles for Net Zero Aligned Carbon Offsetting](#), which is widely supported by investors, provides detailed guidance as to how to best use offsets:

- ▶ **Principle 1:** Cut emissions, use high quality offsets, and regularly revise offsetting strategy as best practice evolves
- ▶ **Principle 2:** Shift to carbon removal offsetting
- ▶ **Principle 3:** Shift to long-lived storage
- ▶ **Principle 4:** Support the development of net zero aligned offsetting

Put another way, an entity must first and foremost, reduce its emissions. Once all possible emissions are cut, it can use offsets to compensate for unavoidable, residual emissions. The focus should then move to carbon removal, and long-lived storage options. The company also has a responsibility to ensure market signals are driving more and better-quality offsets. The [SBTi's Corporate Net Zero Standard](#) also counsels companies to target abatement over neutralisation, and that offsets should be used only for emissions outside a company's value chain. Offsets cannot form part of a company's assessment of its SBTi alignment.

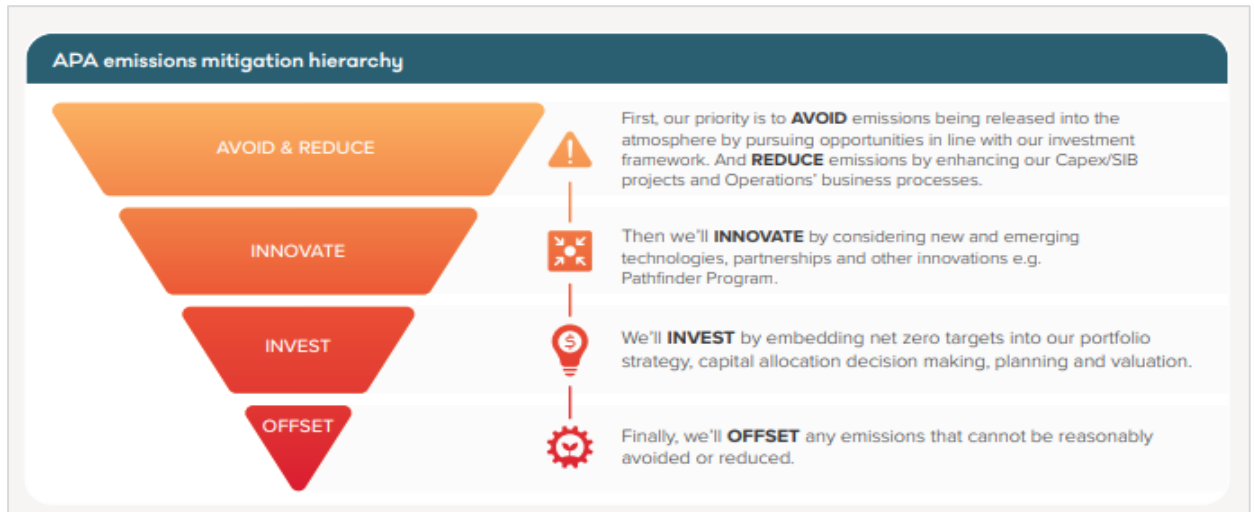
As part of this research, ACSI gathered information on company references to hierarchy use, including but not limited to references to the Oxford Principles. As can be seen in Figure 13, 29% of the ASX200 or 59 companies reference a hierarchy related to their approach to offsets.

Figure 13: ASX200 companies referencing a hierarchy of offset usage



An example of using a hierarchy of offsets can be seen below. APA's reporting provides a number of useful disclosure attribute, including a graphic representation of the approach and detailed information about how decisions on the use of offset are considered.

Figures 14 and 15: Extract from APA Group reporting, [Climate Transition Plan 2022](#), pg 27 - reporting on emission abatement hierarchy and the prioritisation of structural abatement.



Prioritising structural abatement

APA prioritises emissions avoidance and reduction where it is reasonable to do so. We apply a mitigation hierarchy to guide our approach and to ensure structural abatement is prioritised.

The determination of what is 'reasonable' sets the threshold for APA's preparedness to pay for structural abatement and alternative design solutions to avoid emissions. Internally, we refer to this threshold as an 'abatement premium'. Our method for calculating, updating and applying it will be defined in APA's Carbon Price Framework.

The abatement premium is intended to:

- Drive decision-making towards structural abatement and avoid establishing a structure that would result in emissions reduction being delivered solely through offset procurement
- Recognise the cost of voluntary credits may be below the true cost of abatement, were that to be compulsorily mandated
- Recognise there are a range of market forecasts for the costs of carbon that generally are at a premium to the Australian Carbon Credit Unit (ACCU)
- Provide a straightforward and easy to apply measure.

Therefore, it is set at a significant premium, calculated utilising a 100% premium to a combination of historical and forecast ACCUs.

On this basis, we forecast that achieving APA's 30% emissions reduction target for gas infrastructure will be weighted towards structural abatement, based on the material opportunities we have identified. APA's reliance on offsets will probably vary over time as we continue evolving our asset-level assessments and pursuing asset-specific initiatives, and as the premium acts to 'permit' greater investment in currently less economically feasible options.

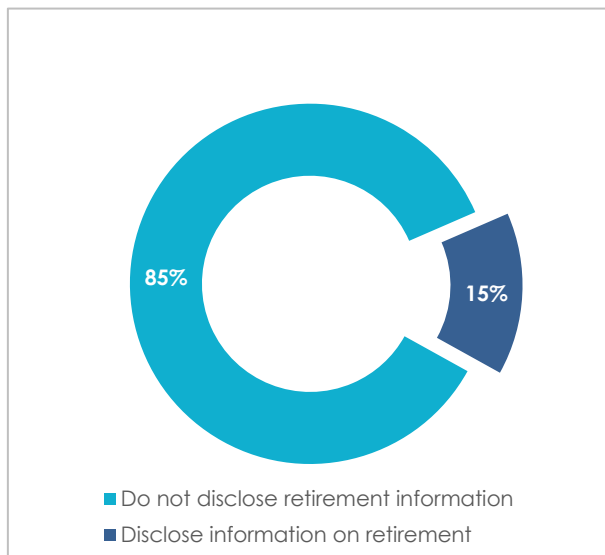
Types of carbon offsets

The two main types of carbon offsets are carbon removal and carbon avoidance/reduction. Different project forms are grouped under the avoidance/reduction heading, including nature- and technology-based carbon removals. Simply disclosing the use of 'high quality' offsets, is opaque and insufficient for investors to assess whether the offset project is credible, additional and delivering its promise to neutralise emissions. Many disclosures reviewed lack the specificity required for investors to scrutinise the inherent risk in a company's offset approach.

Offset retirement

An offset must be 'retired' for it to neutralise the emissions produced and be 'surrendered' from the offset trading system. Unfortunately, the reporting on the retirement of offsets is very poor across the ASX200. Figure 16 displays that only 15% of ASX200 companies (29 companies) disclosed information on their retirement of offsets, despite many more referencing offsets in the context of their transition plans.

Figure 16: Proportion of companies that disclose how many offsets they have retired.



One of the better examples of disclosure comes from Suncorp, which provides a table listing a number of attributes that are helpful in understanding an offset position. These include the offset project name, type, offset standard, location, vintage, carry-forward, purchase, retirement, balance, date of retirement and retirement purpose of all of its offset assets within the financial year. This overview of the offset 'balance' can be helpful in understanding the position a company is building in offsets, and how it is approaching their purchase and retirement. It should be noted that this analysis was undertaken on the level of disclosure provided by ASX200 companies but makes no comment on the quality of individual offsets and projects disclosed.

Figure 17: Extract from Suncorp Group reporting, [Sustainability Data Pack 2021-22](#) - Table of purchased carbon offsets

Purchased carbon offsets



In FY22, Suncorp Bank purchased and retired carbon offsets to support its claim against the Climate Active Carbon Neutral Standard. The table below lists all carbon offset purchases and retirements in FY22. For more information on Suncorp's approach to carbon offsets, please visit the Suncorp Group Website.

Project name	Project type	Offset standard	Location	Vintage	Amount carried forward from previous year (tCO ₂ e)	Quantity purchased in FY22 (tCO ₂ e)	Quantity retired in FY22 (tCO ₂ e)	Balance at 30 June 2022 (tCO ₂ e)	Date of retirement (Date: Quantity (tCO ₂ e))	Retirement purpose
Kaleno Native Forest Project	Human-Induced Regeneration (Nature-based carbon removal)	Australian Carbon Credit Unit (ACCU)	Cobar, NSW, Australia	2021-22	0	6,184	6,184	0	26/05/2022: 6,184	Retired by Terra Carbon Pty Ltd on behalf of Suncorp-Metway Limited to offset emissions generated in FY22.
Darling River Eco Corridor	Human-Induced Regeneration (Nature-based carbon removal)	ACCU	Bourke, NSW, Australia	2021-22	0	4,932	4,932	0	1. 26/05/2022: 3,617 2. 15/06/2022: 1,315	Retired by Terra Carbon Pty Ltd on behalf of Suncorp-Metway Limited to offset emissions generated in FY22.
Darling River Conservation Initiative (Site #6 - Emaroo)	Human-Induced Regeneration (Nature-based carbon removal)	ACCU	Bourke, NSW, Australia	2021-22	0	3,833	3,833	0	26/05/2022: 3,833	Retired by Terra Carbon Pty Ltd on behalf of Suncorp-Metway Limited to offset emissions generated in FY22.
Darling River Conservation Initiative (Site #8 - Everdale)	Human-Induced Regeneration (Nature-based carbon removal)	ACCU	Bourke, NSW, Australia	2021-22	0	3,038	3,038	0	26/05/2022: 3,038	Retired by Terra Carbon Pty Ltd on behalf of Suncorp-Metway Limited to offset emissions generated in FY22.
					Total: 0	Total: 17,987	Total: 17,987	Total: 0		

Carbon neutral

There is also a significant lack of clarity in what emissions are being 'offset'. Of the 48 ASX200 companies that have made statements or commitments of carbon neutrality (as identified [above](#)), all but eight explicitly referenced using offsets to support their commitment.

It is important to ensure that investors and consumers are aware of what carbon neutrality means in the company's specific circumstances and for particular products. Recently, for example, Delta Airlines faced legal action which alleged its claims to be 'the world's first carbon-neutral airline' were false and misleading⁷. Companies may also face scrutiny if it appears that these products are established to pass responsibility for lowering emissions on to their customers without equivalent efforts being adopted within a company's operations.

Disclosure of offsets must improve

"The lack of regulation or required disclosure on how offsets are used in business' Net Zero claims, and a lack of clear guidance on what activities should and should not be 'offset', increases [the risk of disincentivising action]. Many companies that use carbon credits do not specify what activities are being 'offset' and largely rely on carbon credits for their Net Zero claims"⁸

The disclosures analysed for this research form just a subset of potentially appropriate reporting on offsets. As we have mentioned in previous years, ACSI is concerned about the state of offset reporting, as the 49% of companies mentioning offsets do not often provide information across all areas relevant for investors. The new ISSB IFRS S2 [Climate-related Disclosures](#) standard requires a company to disclose information on offsets, which will hopefully address this challenge to investors' understanding. The ISSB requires the following in relation to reliance on offsets:

"The entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including:

- ▶ the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;
- ▶ which third-party scheme(s) will verify or certify the carbon credits;
- ▶ the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and
- ▶ any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset)."

Disclosure needs to improve to allow investors to understand how offsets are being used, how much reliance there will be on them in the future, and the balance between emissions reduction and offset use. The [Independent Review of Australian Carbon Credit Units](#) reinforced that investors require more information about the use of offsets to assess companies' emissions reduction plans. Offsets can form part of corporate transition plans but current levels of disclosure make it very difficult to understand the integrity of their use.

⁷ <https://www.courthousenews.com/wp-content/uploads/2023/05/berrin-vs-delta.pdf>

⁸ Climate Change Committee: <https://www.theccc.org.uk/wp-content/uploads/2022/10/Voluntary-carbon-markets-and-offsetting-Final.pdf>

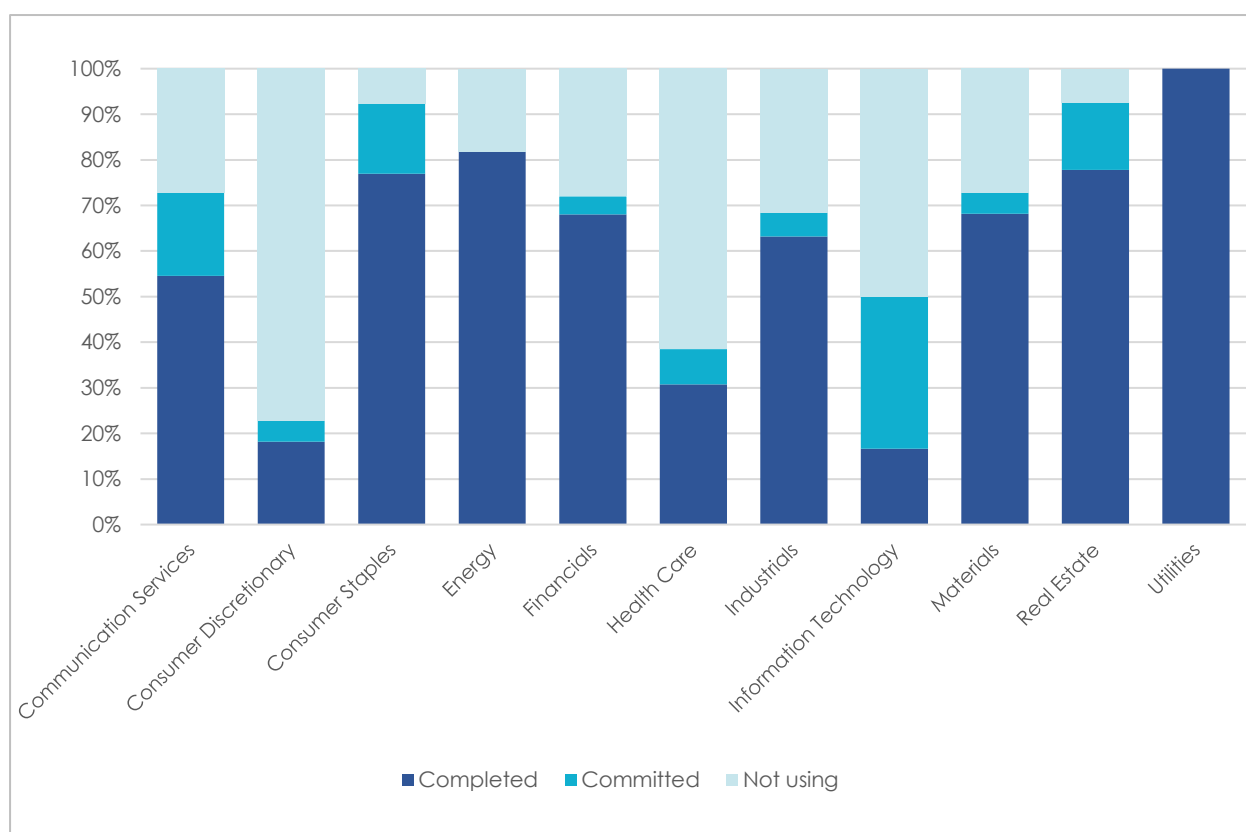
Transition Risk Scenario Analysis: Demand In Net Zero Future

Climate scenario analysis increases

Climate scenario analysis assists investors in assessing a company's resilience to climate change under different warming scenarios and decarbonisation rates, including their exposure to climate transition risks. These risks include product demand, cost of the business' carbon emissions across locations and other legal and regulatory risks.

The majority of the ASX200 (118 companies, 59%) now disclose that they have undertaken scenario analysis to test business resilience against physical and transitional climate risks, with the highest rates in the Utilities⁹, Real Estate, Energy and Consumer Staples sectors (see Figure 18). An additional 9% (18) companies have committed to undertaking and disclosing scenario analysis, continuing the upward trend of the ASX200 using scenario analysis to test business climate resilience.

Figure 18: Scenario analysis adoption across ASX200 by sector



⁹ Note this sector is comprised of only 3 companies in the ASX200.

Paris-aligned scenarios

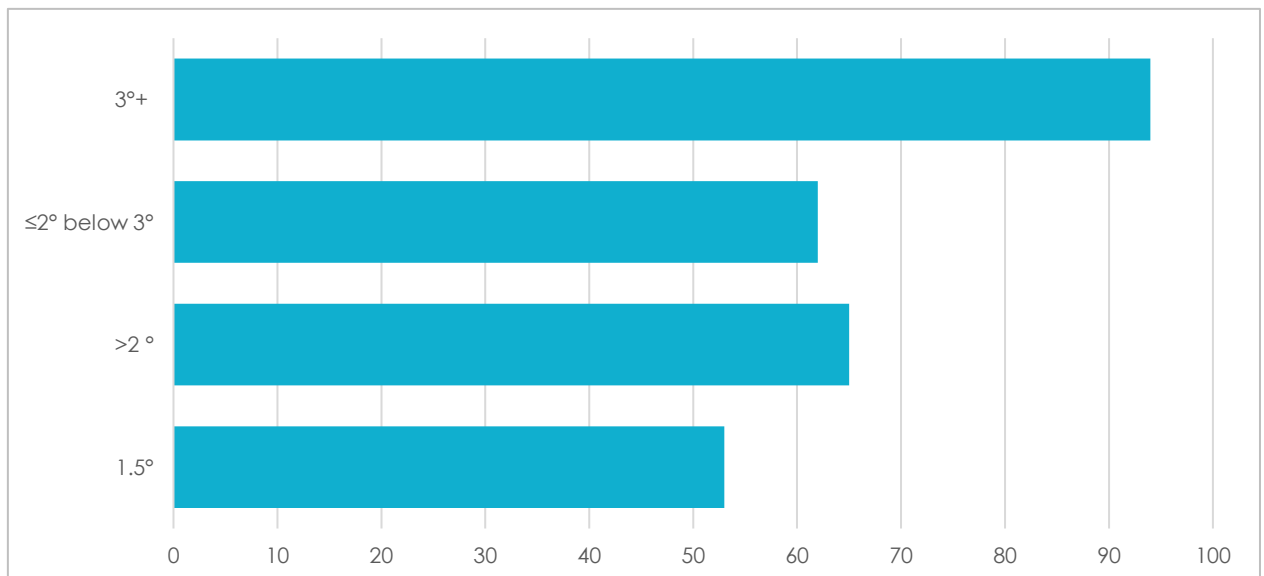
To test their exposure to transitional risk, companies are increasingly undertaking analysis to stress test their businesses under scenarios aligned to the goals of the Paris Agreement (to keep warming to well below 2°C and pursue efforts to limit warming to 1.5°C). This means companies are testing their resilience against more stretching decarbonisation pathways.

The use of Paris-aligned scenario analysis disclosure has increased, with 91 companies (46%) of the ASX200 testing their business using a 1.5°C or well below 2°C aligned pathway, up from 76 (38%) last year. The International Energy Agency (IEA) Net Zero by 2050 scenario, which is aligned to 1.5°C, is often referred to by a range of stakeholders, however only 14 ASX200 companies use it.

To test their resilience to the physical risks of climate change, investors and regulators often ask companies to undertake and disclose a 'worst case', 3°C+ climate scenario, in which the physical impacts of climate change would be most severe. Fifty-five companies disclosed assessment of their business using the Representative Concentration Pathway (RCP) 8.5 scenario, which, as outlined in the next section, is associated with a high emissions future with increased acute and chronic physical risks which would impact a company's operations and assets.

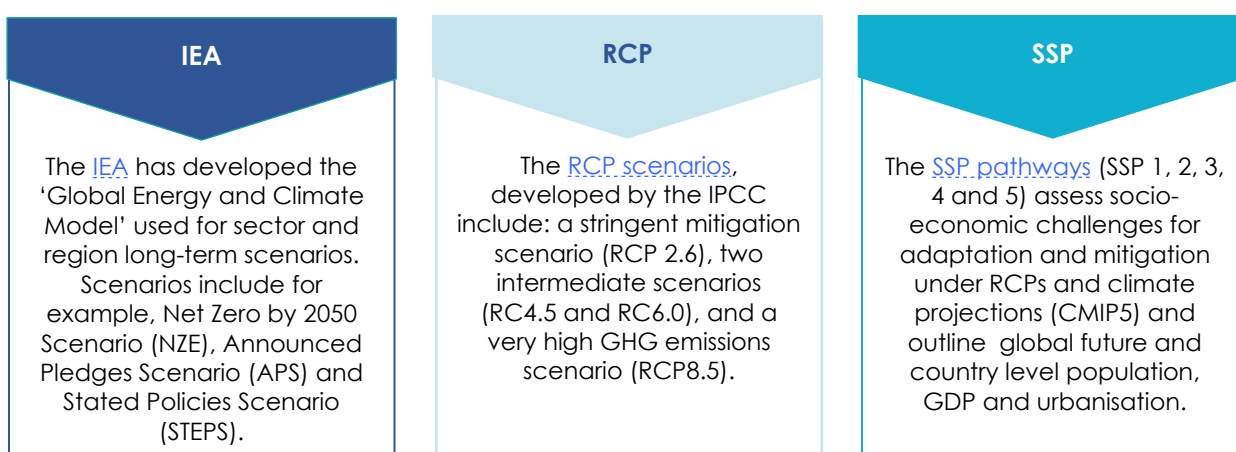
Figure 19 shows that 1.5°C scenario analysis is the minority, with only 27% of the ASX200 adopting it, despite being best aligned with the goals of the Paris Agreement (to keep warming to well below 2°C and pursue efforts to limit warming to 1.5°C). However, 47% of the ASX200 disclosed use of 3°C+ scenarios, suggesting companies are testing their resilience to the worst physical risks associated with a higher warming scenario.

Figure 19: Number of ASX200 companies using climate scenarios aligned to different temperatures.



Comparability of climate scenarios remains a challenge

Despite the increase in company use of climate scenarios to assess risk, there remain inconsistencies making it difficult for investors to compare, including scenarios used. Multiple scenarios are used across the ASX200, as shown in Figure 20¹⁰, and some companies disclose use of a mix of internal and external scenarios. The most popular, being used by 61 companies, are the RCP scenarios. The IEA and the Shared Socio-Economic Pathways (**SSPs**) are also commonly referenced, with respectively 29 and 21 companies using each. Key elements of these can be seen below. Often the use of specific scenarios is common in a particular sector, for example AEMO scenarios are adopted by all companies in the Utilities sector, IEA scenarios within the Energy sector (73%) and the Network for Greening the Financial System (**NGFS**) within the Financials sector (28%).



Many companies also use their own internal scenarios, which are often collated from a range of external sources. One challenge is that there is still a relatively low level of transparency of the underlying assumptions used, and analysis varies considerably across these companies. The Materials sector has the highest use of internal scenarios, with 23% of companies disclosing use of at least one internal scenario.

Specific challenges in the disclosure of scenario analysis include:

Application of scenario: Scenario analysis is used to assess transition and/or physical risks, and there is considerable variety in how well this distinction is disclosed. Better practice is for companies to include in the assessment both their business resilience to transitional risks against Paris-aligned scenarios, and physical risks at highest emissions and temperature scenarios to capture the impact of these extremes on the resilience and future value of the business.

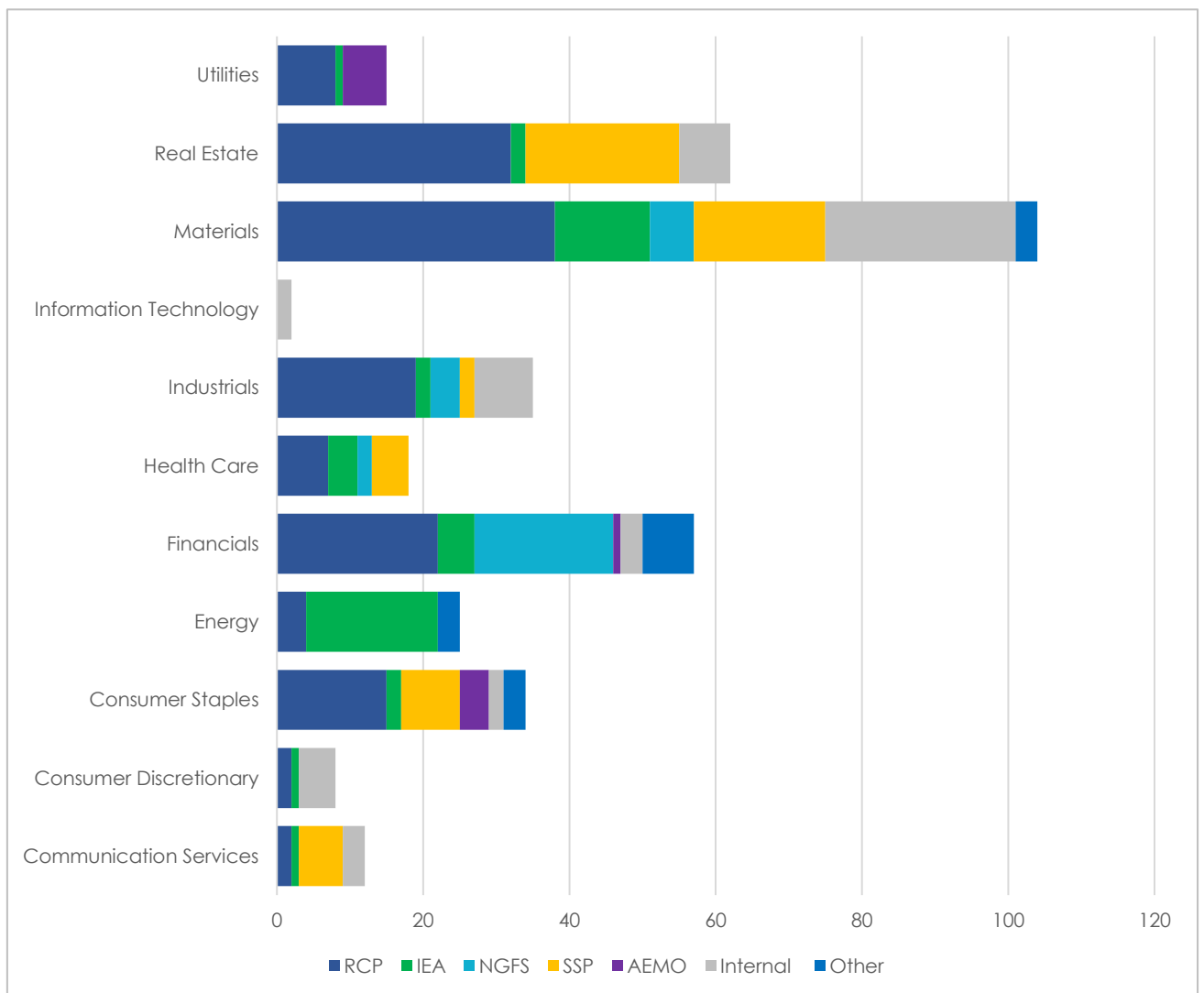
Level of analysis and disclosure: The depth of analysis, including the use of in-depth quantitative and qualitative analysis and disclosure varies considerably between companies. Some companies only provide high level descriptions of types of risk and lack specific risk assessment. Better practice company examples include transparency about scenario methodology and disclosure of detailed analysis of a range of material transitional and physical risks across different time horizons. Some companies also provide quantitative analysis for each scenario which further assists investors in assigning future value to a company.

¹⁰ Intergovernmental Panel on Climate Change, Representative Concentration Pathway scenarios, [Future Climate Changes, Risks and Impacts](#). International Energy Agency, [Global Energy and Climate Model](#), 2022; Network for Greening the Financial System, [Scenarios Portal](#); [The Shared-Socio-Economic Pathways](#); Australian Energy Market Operator, [Current inputs, assumptions and scenarios](#), 2022.

Frequency: The frequency of scenario analysis assessments also varies, with some companies undertaking analysis yearly or every few years, or as one-off exercises, or alternating physical and transitional risk assessments. This makes comparison between a company's prior analysis, and against peers difficult. Company disclosure of how often analysis is undertaken is also lacking.

Scope: Some companies test their entire business, others only test the resilience of part of their business such as particular locations, assets or business divisions. Again, this leaves investors without a complete picture of the effects of scenarios on a company or the broader systemic risk across the index.

Figure 20: ASX200 sectors' use of a range of different external and internal scenarios



Ultimately, the inconsistency in disclosure of scenario analysis and scenarios used makes it difficult for investors to assess the integrity, rigour and comparability of companies with peers and the broader market. Once more, mandatory climate disclosures aim to assist investors and drive higher quality, internationally comparable disclosures.

Physical Risk Assessment

The extreme weather events of the past few years, in Australia and globally, have led to widespread societal impacts and financial loss for Australian companies. These are examples of extreme and chronic physical impacts of climate change that, according to the latest [IPCC 6th Assessment Report](#), will only continue to worsen as temperatures rise.

According to CSIRO research, Australia has warmed by an average 1.47°C¹¹, while the global surface temperature is 1.1°C¹² above pre-industrial levels. This warming, and the associated increased and prolonged extreme weather events, is having a devastating impact around the world. Mitigation of further warming must be accompanied by adaptation and resilience measures by governments, companies, investors and communities.

Alongside transition risk and decarbonisation pathways reporting, a critically important piece of the disclosure puzzle is the assessment and management of climate change's increasing physical impacts. [Deloitte Access Economics](#) has projected that the chronic and acute impacts may cost the Australian economy approximately \$973bn (in present-day value) by 2050.¹³

Company disclosure

An increasing number of the ASX200, 118 companies (59%), have disclosed some analysis of physical risk, but once again, the quality of disclosures varies widely (up from 84 companies or 42% last year). Only 31% of the ASX200 discloses beyond a basic level to provide insights that are specific to the company's assets and geographies (up from 41 companies or 21% last year).

Some companies disclose greater detail and insights into their physical risk resilience testing, under a range of warming scenarios, at an asset, location and company-wide scale. Better practice companies also disclosed ways they are building resilience and mitigating future impacts. ACSI acknowledges the difficulties for companies in this area given the complexity of supply chains, difference in physical risks across locations and the difficulty in quantifying financial risks arising from material physical risks at a company, and systemic level.

Despite the improvement across the market, 41% of ASX200 companies provide no disclosure of physical risk assessments at all. While some ASX200 sectors may be less materially exposed to physical climate risks, it is unclear what level of risk assessment 'non-reporters' have undertaken. As physical climate risks continue to appear and evolve, ACSI expects company analysis and mitigation strategies to mature to match accelerating risk.

¹¹ Since national records began in 1910; CSIRO and Australian Bureau of Meteorology, *State of the Climate*, 2022.

¹² Above 1850-1900 in 2011-2020, IPCC [AR6 Synthesis Report](#).

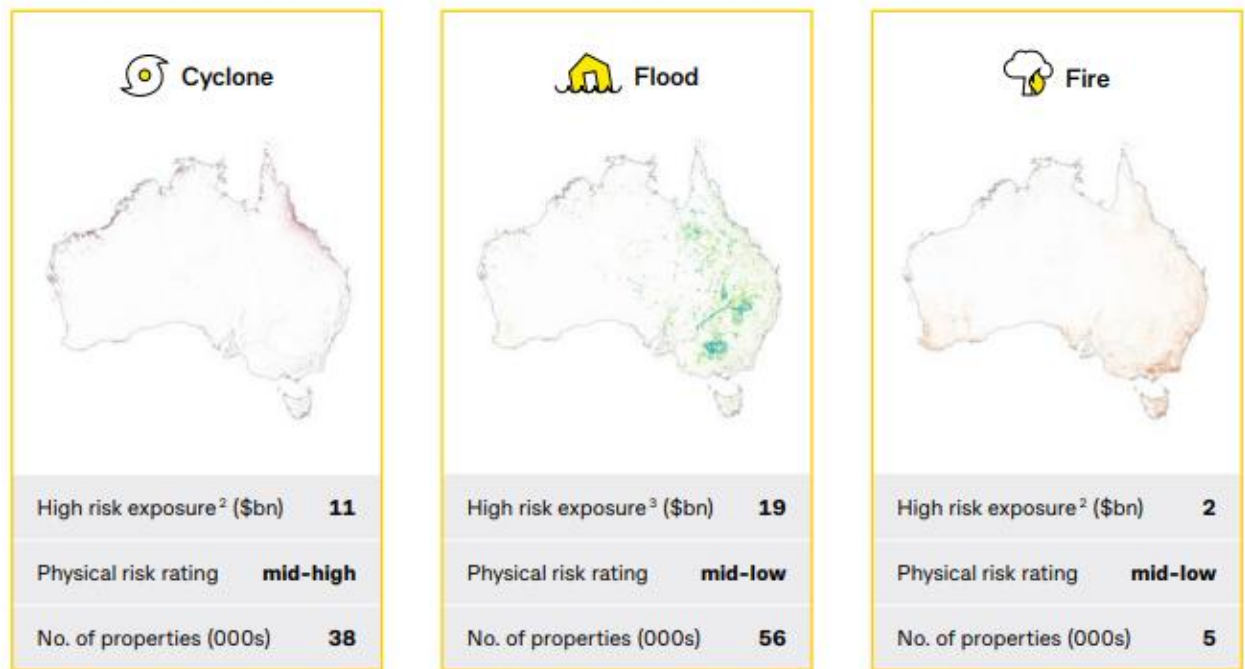
¹³ Deloitte Access Economics, [Economic reality check: Adapting Australia for climate-resilient growth](#), January 2022

Examples of good practice

The below examples from the Commonwealth Bank of Australia (**CBA**) and Telstra are examples of more detailed physical risk reporting highlighting potential business impacts.

Useful attributes of the CBA report outline how different types of acute physical climate impacts affect its mortgage loan book, and its financial exposure to mortgages in high-risk areas, particularly where customers lack adequate insurance.

Figure 21: Extract from Commonwealth Bank of Australia reporting, [Climate Report 2022](#), pg 36.



- 1 LVR is the ratio between the value of the loan and the value of the underlying property.
- 2 High risk based on areas where modelled peril loss rates, based on hazard risk and historical insurance claims, exceeded a fixed threshold.
- 3 High peril risk for flood includes properties within 1 in 50-year return period flood zones.

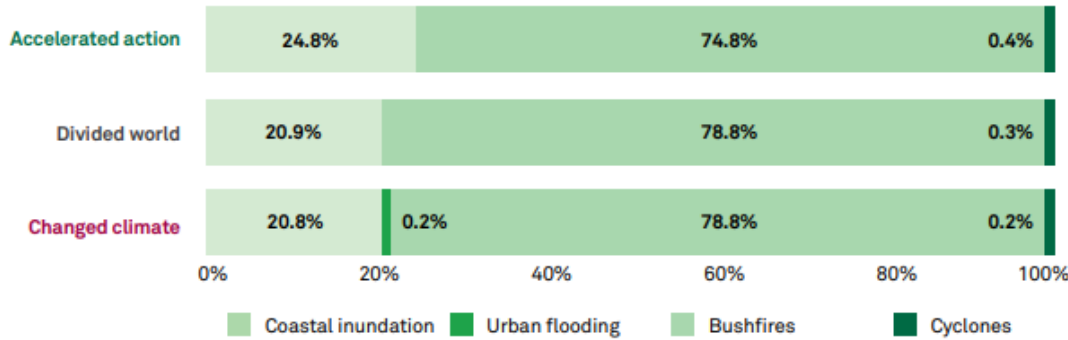
Telstra's physical climate disclosures quantify the financial risk to its infrastructure and services under different climate scenarios. Its [2022 Climate Report](#) noted:

"Our response to the 2019-20 Black Summer bushfires totalled around \$44 million in network rebuild, repairs and other costs. While this financial impact is not material to Telstra in isolation, an increase in the frequency and severity of climate impacts could result in these impacts becoming more financially material over time."

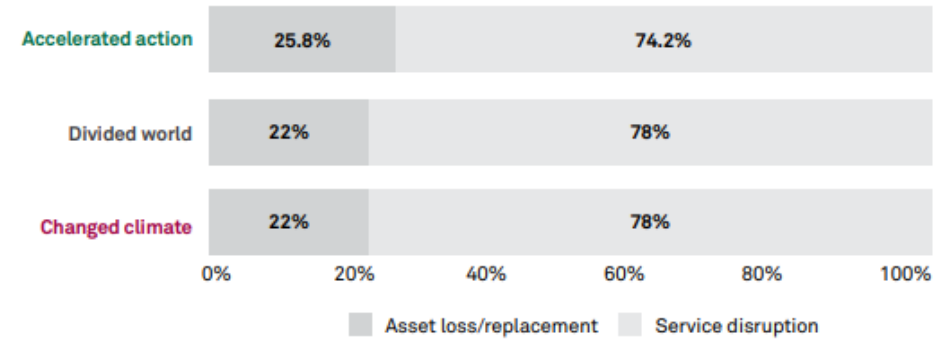
Helpful elements of Telstra's disclosure include how physical risks affect different parts of its business, their estimated financial impact and how it is building mitigation and resilience measures into their infrastructure and business to hedge against some of these risks. Excerpts below show disclosed risk assessments of physical climate risks and Telstra's financial exposure to chronic physical climate risks under a variety of climate scenarios.

Figure 22: Extract from Telstra Ltd reporting, [Climate Report 2022](#), pg 24, 25.

Bushfires have the most material financial impact



Service disruption payments are more material than asset damage



The impact in the eight year period to FY2030 is the same for all three scenarios



The three scenarios start to diverge between FY2030 and FY2050



This analysis only includes only a subset of the climate-related risks to which we are exposed, it excludes the financial impacts of chronic physical risk (such as increase in temperature) and transition risks.

Policy moves

Broader improvements across the entire ASX200 index reporting practices could be assisted by increased policy expectations. The Australian Government is establishing the first National Climate Risk Assessment to understand the impact of physical risks and required adaptation in Australia. Prioritising areas such as biodiversity, health, infrastructure, agriculture and the economy¹⁴, the Risk Assessment will be delivered incrementally over 2023 and 2024, drawing on scientists from the Australian Climate Service, an existing partnership between the Bureau of Meteorology, Geoscience Australia, CSIRO and Australian Bureau of Statistics. It ultimately seeks:

“to deliver a shared national framework to inform national priorities for climate adaptation and resilience actions. It will enable consistent monitoring of climate risk across all jurisdictions.”

The Climate Change Authority (**CCA**) also addresses physical risks of climate change within the Wellbeing Assessment Framework in its Annual Progress Report. The CCA is flagging increased focus to determine what additional information is required for Australia’s management and adaptation to physical climate risks.¹⁵

The Reserve Bank of Australia (**RBA**) has released a short publication addressing financial risks of physical climate risk under different climate scenarios, focusing on Australian banks and the broader financial services sector.

“The Reserve Bank continues to monitor the build-up of climate-related financial stability risks, including how these risks are priced and who ultimately bears the physical and transition risks arising from climate change.”¹⁶

The RBA also recognised there remains a data gap of comparable and consistent data, which would be aided by a mandatory climate risk reporting framework. This underlines the importance of developing an internationally-aligned reporting framework to ensure financial risks, including the physical risks of climate change, are well understood and managed economy wide. Encouragingly, the ISSB S2 requirements include a requirement to report on “the amount and percentage of assets or business activities vulnerable to climate-related physical risks”.

¹⁴ [Department of Climate Change, Energy, the Environment and Water](#), 2023.

¹⁵ Climate Change Authority, [Issues Paper: Setting, tracking and achieving Australia's emissions reduction targets](#), May 2023, pg 12.

¹⁶ RBA, [Climate Change and Financial Risk](#), 2023.






Just Transition

ACSI released a report '[A just transition to a clean energy economy](#)' in December 2022. This research intended to contribute to the development of a cohesive approach to a just transition by identifying investor expectations of listed companies. It defines the investment risk of an unjust transition, includes expectations of company actions and reporting as they approach a just transition, and sets out public policy recommendations to support a just transition.

Unfortunately, disclosure where just transition risks are material for Australian companies remains minimal. ACSI expects companies with assets that may be affected by the energy transition to demonstrate a principles-based approach and plan to support a just transition through a set of expectations set out on pages 13-16 of the above Report. ACSI continues to engage with companies on how they are managing this issue, including proactive and consultative approaches with key affected stakeholders.

Internationally, UK utility company, SSE Plc has led better practice disclosure with the publication of its [Progress Report](#), which measures its progress in implementing its Just Transition Strategy that was first published in 2020. The helpful attributes of this disclosure include highlighting challenges, achievements and next steps for the company to support worker transition.

Figure 23: Extract from SSE Plc reporting, [Just transition: measuring progress](#), 2023, pg 3.

SSE'S 20 PRINCIPLES FOR A JUST TRANSITION				
TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF A HIGH-CARBON WORLD	
				
SSE'S PRINCIPLES FOR GOOD, GREEN JOBS	SSE'S PRINCIPLES FOR CONSUMER FAIRNESS	SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS	SSE'S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS	SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES
<ol style="list-style-type: none"> 1. Guarantee fair and decent work 2. Attract and grow talent 3. Value employee voice 4. Boost inclusion and diversity 	<ol style="list-style-type: none"> 5. Co-create with stakeholders 6. Factor-in whole-system costs and benefits 7. Make transparent, evidence-based decisions 8. Advocate for fairness 	<ol style="list-style-type: none"> 9. Support competitive domestic supply chains 10. Set social safeguards 11. Share value with communities 12. Implement responsible developer standards 	<ol style="list-style-type: none"> 13. Re-purpose thermal generators for a net-zero world 14. Establish and maintain trust 15. Provide forward notice of change 16. Prioritise retraining and redeployment 	<ol style="list-style-type: none"> 17. Deliver robust stakeholder consultation 18. Form partnerships across sectors 19. Promote further industrial development 20. Respect and record cultural heritage

Appendix

Emission reduction targets set by the ASX200

Targets collected through review of public disclosures, up to the reporting period of 31 March 2023. This is based on public disclosure with best endeavours to collect the data for the reporting period. For detailed information refer to the company's own public reporting.

Company name	Short term target	Medium term target	Long term target	Net Zero Year
Abacus Property Group	Yes	No	Yes	2050
AGL Energy Limited	Yes	Yes	Yes	2050
Allkem Limited	Yes	Yes	No	2035 (in operations)
ALS Limited	Yes	Yes	No	No
Altium Limited	No	No	No	No
Alumina Limited	Yes	Yes	Yes	2050
Amtcor Plc	Yes	Yes	Yes	2050
AMP Limited	No	Yes	Yes	2050
Ampol Limited	Yes	Yes	Yes	2040
Ansell Limited	Yes	Yes	Yes	2040
APA Group	No	Yes	Yes	2040 (Scope 1 & 2 emissions from power generation and electricity transmission infrastructure); 2050 (Scope 1 & 2 emissions from gas infrastructure)
ARB Corporation Limited	No	No	No	No
Arena REIT	No	Yes	No	No
Aristocrat Leisure Limited	No	No	No	No
ASX Limited	Yes	No	No	2025 (Scope 1 & 2)
Atlas Arteria	Yes	Yes	No	No
AUB Group Limited	No	No	No	No
Auckland International Airport Limited	No	Yes	No	2030
Aurizon Holdings Limited	No	Yes	Yes	2050
Australia & New Zealand Banking Group Ltd	Yes	Yes	Yes	2050
Bank of Queensland Limited	Yes	Yes	No	No
Bapcor Limited	No	No	No	No
Beach Energy Limited	No	Yes	Yes	2050
Bega Cheese Limited	Yes	Yes	Yes	2050
Bendigo and Adelaide Bank Limited	Yes	Yes	Yes	2050
BHP Group Limited	Yes	Yes	Yes	2050

Company name	Short term target	Medium term target	Long term target	Net Zero Year
Blackmores Limited	Yes	Yes	No	2030
Block Inc	No	Yes	No	2030
BlueScope Steel Limited	Yes	Yes	Yes	2050
Boral Limited	Yes	Yes	Yes	2050
Brainchip Holdings Ltd	No	No	No	2050
Brambles Limited	Yes	Yes	Yes	2040
Breville Group Limited	Yes	Yes	No	2025
Brickworks Limited	Yes	Yes	No	No
BWP Trust	No	No	No	No
Capricorn Metals Ltd	No	No	No	No
Carsales.com Limited	No	No	No	No
Centuria Capital Group	No	No	No	No
Centuria Industrial REIT	No	No	No	No
Chalice Mining Limited	No	No	No	No
Challenger Limited	No	No	No	No
Champion Iron Limited	No	Yes	Yes	2050
Charter Hall Group	Yes	Yes	No	2025
Charter Hall Long Wale REIT	Yes	Yes	No	2025
Charter Hall Retail REIT	Yes	Yes	No	2025
Charter Hall Social Infrastructure REIT	Yes	No	No	2025
Chorus Limited	Yes	Yes	No	No
Cleanaway Waste Management Limited	No	Yes	Yes	2050
Cochlear Limited	Yes	Yes	Yes	2030 (Scope 1 & 2); 2050 (Scope 1, 2 & 3)
Coles Group Limited	Yes	Yes	Yes	2050 (Scope 1 & 2)
Collins Foods Limited	No	Yes	No	No
Commonwealth Bank of Australia	Yes	Yes	Yes	2050
Computershare Limited	No	No	Yes	2042
Core Lithium Limited	No	No	No	No
Coronado Global Resources Inc	No	Yes	Yes	2050
Corporate Travel Management Limited	No	No	No	No
Costa Group Holdings Limited	No	No	Yes	2050
Credit Corp Group Limited	No	No	No	No
Cromwell Property Group	No	Yes	Yes	2045
CSL Limited	No	Yes	No	No
CSR Limited	No	Yes	No	No
De Grey Mining Limited	No	No	No	No
Deterra Royalties Limited	Yes	No	No	2022
Dexus	Yes	No	No	2022

Company name	Short term target	Medium term target	Long term target	Net Zero Year
Domain Holdings Australia Limited	No	No	No	No
Domino's Pizza Enterprises Limited	Yes	Yes	Yes	2050
Downer EDI Limited	No	Yes	Yes	2050
Eagers Automotive Limited	No	No	No	No
Elders Limited	Yes	Yes	Yes	2050
Endeavour Group Limited	No	Yes	Yes	2050
Evolution Mining Limited	No	Yes	Yes	2050
EVT Limited	No	No	No	No
Fisher & Paykel Healthcare Corporation Limited	Yes	Yes	No	No
Fletcher Building Limited	No	Yes	No	No
Flight Centre Travel Group Limited	No	No	No	No
Fortescue Metals Group Ltd	Yes	Yes	Yes	2040
Gold Road Resources Limited	No	No	Yes	2050
Goodman Group	Yes	Yes	No	2025
GPT Group	Yes	Yes	No	2030
Graincorp Limited	No	No	Yes	2050
Growthpoint Properties Australia	Yes	No	No	2025
GUD Holdings Limited	Yes	Yes	No	No
Harvey Norman Holdings Ltd	No	No	No	No
Healius Limited	No	Yes	No	No
HMC Capital Limited	No	Yes	No	2028
HomeCo Daily Needs REIT	No	Yes	No	2028
HUB24 Limited	No	Yes	No	2030
IDP Education Limited	No	No	No	No
IGO Limited	No	Yes	No	2035
Iluka Resources Limited	No	No	Yes	2050
Imugene Limited	No	No	No	No
Incitec Pivot Limited	Yes	Yes	Yes	2050
Ingenia Communities Group	No	Yes	No	2035
Inghams Group Limited	No	Yes	Yes	2050
Insignia Financials Limited	No	No	Yes	2050
Insurance Australia Group Limited	Yes	Yes	Yes	2050
InvoCare Limited	No	No	No	No
IPH Limited	No	No	No	No
IRESS Limited	No	Yes	No	No
James Hardie Industries Plc	No	Yes	No	No
JB Hi-Fi Limited	No	Yes	No	2030 (Scope 1 & 2)
Johns Lyng Group Limited	No	No	No	No

Company name	Short term target	Medium term target	Long term target	Net Zero Year
Karoon Energy Ltd	No	Yes	No	2035
Kelsian Group Limited	No	No	No	No
Lake Resoures N.L.	No	No	No	No
Lendlease Group	Yes	Yes	Yes	2040 (Absolute Zero Scope 1, 2 & 3)
Life360 Inc	No	No	No	No
Lifestyle Communities Limited	No	Yes	Yes	2035
Link Administration Holdings Limited	Yes	Yes	No	2030
Liontown Resources Limited	Yes	Yes	No	2034
Lovisa Holdings Limited	No	No	No	No
Lynas Rare Earths Limited	Yes	No	Yes	2050
Macquarie Group Limited	Yes	No	Yes	2050
Magellan Financial Group Limited	No	No	No	No
Medibank Private Limited	Yes	Yes	Yes	2040
Megaport Limited	No	No	No	No
Metcash Limited	Yes	Yes	Yes	2040
Mineral Resources Limited	No	Yes	Yes	2050
Mirvac Group	Yes	Yes	No	Achieved in 2022 (target was 2030)
Monadelphous Group Limited	No	No	Yes	2050
Nanosonics Limited	No	No	No	No
National Australia Bank Limited	Yes	Yes	Yes	2050
National Storage REIT	No	No	No	No
Netwealth Group Limited	No	No	No	No
New Hope Corporation Limited	No	No	No	No
Newcrest Mining Limited	No	Yes	Yes	2050
News Corporation	No	Yes	Yes	2050
NEXTDC Limited	Yes	Yes	No	No
NIB Holdings Limited	No	Yes	Yes	2040
Nickel Industries Limited	No	No	No	No
Nine Entertainment Co. Holdings Limited	No	No	No	No
Northern Star Resources Ltd	No	Yes	Yes	2050
NRW Holdings Ltd	No	No	No	No
Nufarm Limited	No	Yes	No	No
Orica Limited	Yes	Yes	Yes	2050
Origin Energy Limited	Yes	Yes	Yes	2050
Orora Limited	Yes	Yes	Yes	2050
OZ Minerals Limited	No	Yes	No	2030
Paladin Energy Ltd	No	No	No	No
Perpetual Limited	Yes	Yes	No	No
Perseus Mining Limited	No	No	No	No

Company name	Short term target	Medium term target	Long term target	Net Zero Year
Pexa Group Limited	Yes	No	No	2025
Pilbara Minerals Limited	No	No	Yes	2040
Pinnacle Investment Management Group Limited	Yes	No	No	No
Polynovo Ltd	No	No	No	No
Premier Investments Limited	No	No	No	No
Pro Medicus Limited	No	No	No	No
Qantas Airways Limited	No	Yes	Yes	2050
QBE Insurance Group Limited	Yes	Yes	Yes	2030 (global operations); 2050 (underwriting and investment activities)
Qube Holdings Limited	Yes	Yes	Yes	2050
Ramsay Health Care Limited	No	Yes	Yes	2040
REA Group Ltd	No	Yes	No	No
Reece Limited	Yes	Yes	Yes	2040
Region Group	Yes	Yes	No	2030
Regis Resources Limited	No	No	Yes	2050
Reliance Worldwide Corporation Limited	No	Yes	Yes	2050
ResMed Inc.	No	No	No	No
Rio Tinto Limited	Yes	Yes	Yes	2050
Sandfire Resources Limited	No	Yes	Yes	2050
Santos Limited	Yes	Yes	Yes	2040
Sayona Mining Limited	No	No	No	No
Scentre Group	Yes	Yes	No	2030
SEEK Limited	Yes	Yes	No	2030
Seven Group Holdings Limited	Yes	Yes	Yes	2040
Silver Lake Resources Limited	No	No	No	No
Sims Limited	Yes	Yes	Yes	2050
Sonic Healthcare Limited	No	Yes	Yes	2050
South32 Limited	No	Yes	Yes	2050
Spark New Zealand Limited	No	Yes	No	No
Steadfast Group Limited	No	Yes	No	No
Stockland	No	Yes	No	2028
Suncorp Group Limited	Yes	Yes	Yes	2050
Super Retail Group Limited	No	Yes	No	2030
Syrah Resources	No	No	No	No
Tabcorp Holdings Limited	No	Yes	Yes	2050
Technology One Limited	No	No	No	No
Telix Pharmaceuticals Limited	No	No	No	No
Telstra Corporation Limited	Yes	Yes	Yes	2050
The a2 Milk Company Limited	No	Yes	Yes	2030 (Scope 1 & 2); 2040 (Scope 3)
The Lottery Corporation Limited	No	No	No	No

Company name	Short term target	Medium term target	Long term target	Net Zero Year
The Star Entertainment Group Limited	Yes	Yes	No	2030 (for wholly owned and operated assets)
TPG Telecom Limited	Yes	Yes	Yes	2050
Transurban Group	Yes	Yes	Yes	2050
Treasury Wine Estates Limited	Yes	Yes	No	2030
United Malt Group Limited	No	No	No	No
Vicinity Centres	No	Yes	No	2030
Virgin Money UK PLC	Yes	No	No	2030
Viva Energy Group Limited	No	Yes	Yes	2030 (Scope 1 & 2 for non-refining activities); 2050 (Scope 1 & 2 for Group)
Washington H. Soul Pattinson and Co. Limited	No	No	No	No
Waypoint REIT Limited	Yes	No	No	No
Webjet Limited	No	No	No	No
Wesfarmers Limited	Yes	Yes	Yes	2030 (Retail businesses: Bunnings, Kmart Group and Officeworks); 2035 (WIS ex-Coregas); 2050 (WesCEF and Coregas)
West African Resources Limited	No	No	No	No
Westpac Banking Corporation	Yes	Yes	Yes	2050
Whitehaven Coal Limited	No	No	No	No
Wisetech Global Limited	No	No	Yes	Net zero for Scope 1 and 2 global operational emissions however no year specified
Woodside Energy Group Limited	Yes	Yes	Yes	2050
Woolworths Group Limited	Yes	Yes	Yes	2050
Worley Limited	Yes	Yes	Yes	2030 (Scope 1 & 2); 2050 (Scope 3)
Xero Limited	No	Yes	Yes	2050

Australian Council of Superannuation Investors
Level 23
150 Lonsdale Street
Melbourne VIC 3000
Australia

P: +61 8677 3890

E: info@acsi.org.au

W: www.acsi.org.au

