



A NEW ERA OF PRAGMATISM:

CLIMATE GOVERNANCE AND REPORTING
TRENDS OF THE ASX50 IN 2024

APRIL 2025

INTRODUCTION

As of 1 January 2025, many large Australian businesses and financial institutions are now required to prepare annual sustainability reports containing mandatory climate-related financial disclosures. This regime has been in the making for several years, having undergone three broad consultations and garnered significant support from corporate Australia. The introduction of this regime represents a significant step towards integrating climate considerations into business operations and strategies. It aligns with the broader global trend towards mandatory climate reporting, notwithstanding delays and paring back in some notable jurisdictions, as [we've written about elsewhere](#).

With media reports of the potential 'scrapping' of mandatory reporting in Australia, many entities are understandably frustrated. For some, the potential reversal of mandatory reporting requirements in Australia and beyond could undermine the progress made to date and the investments already committed to climate governance. For others, it is another example of the inconsistency we have seen in Australian politics for so many years now when it comes to climate change. It is particularly concerning in circumstances where 2024 was reported to be the warmest year on record, at about 1.55°C above pre-industrial levels.

However, notwithstanding these developments, our analysis of climate reports and disclosures made by ASX50 entities¹ in 2024 finds that many are making significant progress in their climate governance and reporting. A key part of this involves these entities exploring climate-related opportunities through meaningful stakeholder engagement, mergers and acquisitions activity, targeted investments and new technologies. These efforts reflect a broader, long-term strategy to integrate climate considerations into business operations and to leverage opportunities for sustainable growth.

We recognise that each sector is facing unique challenges and managing risks in different ways. Accordingly, in this report, we explore the most relevant developments and insights broken down by 8 sectors.

Across these sectors, there are common themes as entities look to align their processes with the mandatory regime. We are helping clients with:



Supporting directors to understand the new liability regime and the practical steps directors can take to satisfy their 'reasonable steps' and other duties



Optimising reporting structure (including obtaining ASIC relief where necessary)



Undertaking a comprehensive greenwashing risk review prior to release of disclosures (including in relation to forward-looking statements)



Confirming the interpretation of other international frameworks brought within the mandatory regime (like the greenhouse gas protocol) and the interaction of mandatory reporting with other Australian law

For further advice on climate governance and reporting, please contact a member of the King & Wood Mallesons or Owl Advisory team. We are here to steer you through the transition and set you up for long-term success in the face of evolving climate challenges.

¹ Entities in the S&P/ASX 50 Index as of 16 January 2025 (ASX50). In preparing this report, we have relied on public disclosures of, and relating to, the ASX50 and have not independently verified those disclosures. For consistency, we have also referred to them as entities throughout this report notwithstanding that some might be better identified as companies or staples, for example.

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² We have included Computershare Limited (CPU) in this sector for the purpose of this report, notwithstanding its GICS classification in industrials, and ASX Limited (ASX) notwithstanding its GICS classification in financials.



THE LATEST CLIMATE SCIENCE

Globally, average temperatures passed 1.5 °C above pre-industrial levels for the first time in 2024.³ While this does not automatically indicate that the Paris Agreement's target of 'pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels' has been exceeded, it is a stark reminder of the urgency of our climate crisis. The Paris Agreement's target is based on a multi-year average, meaning that a single year's data does not define the overall trend.

However, the continued increases in global emissions paint a concerning picture.

Last year alone, there was a 2% increase in total carbon dioxide emissions⁴ compared to 2023. To remain below the 1.5 °C target, emissions must peak in 2025 at the latest. Given current trends, this seems increasingly unlikely. This means that the Paris Agreement's 1.5 °C pre-industrial levels threshold is likely to be exceeded and limiting warming to 2°C above pre-industrial levels would require a substantial escalation in mitigation efforts during 2030 to 2050.⁵

Australia has not been immune to these changes. To date, our country has warmed by approximately 1.5 °C since national records began in 1910 and most years are now warmer than any year in the 20th century.⁶ This warming has brought about significant changes in the climate, including more frequent and intense periods of extreme heat, heavier rainfall, changes in seasonal weather patterns and increased fire weather.

As the climate continues to warm, we can expect to see even more severe impacts. Higher temperatures and rainfall intensity are likely, along with an increase in fire weather, continued decrease of average cool season rainfall across the south and east coast, longer lasting marine heatwaves impacting coral reefs and marine ecosystems and increased intensity of – but likely fewer – cyclones.

The science is clear: the question is how governments, corporates, individuals and others will respond.

³ WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level

⁴ Earth System Science Data, 2024. Global Carbon Budget. Source: <https://essd.copernicus.org/preprints/essd-2024-519/>

⁵ IPCC, 2023: Sections. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Source: https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf

⁶ CSIRO, 2024. State of the Climate Report. Source: <https://www.csiro.au/en/research/environmental-impacts/climate-change/State-of-the-Climates/Report-at-a-Glance>

1 BANKS AND INSURERS

1.1 Introduction

In what some have flagged as their last stand-alone climate reports, banks⁷ and insurers remained focused on setting targets and reducing operational emissions.

Delivering on their commitments under the Net Zero Banking Alliance (NZBA), all banks have now set financed emissions targets for oil and gas and thermal coal mining sectors. Most have set additional targets for power generation, commercial and residential real estate, transport, and heavy industry (including steel, cement and aluminium). Most banks have not set targets for the Australian agricultural sector. Several banks discussed challenges with setting targets for this industry, including availability and quality of emissions data and a lack of an Australian pathway for this sector which is aligned with the Paris Agreement.

Exposures to fossil fuel extraction generally remained carefully managed. Some banks have implemented policies to cease or significantly reduce directly financing new fossil fuel projects (such as coal mines, coal-fired power plants and upstream oil and gas projects). Where banks had committed to cease funding for new upstream oil and gas projects, they usually noted exceptions arising due to national energy security issues.

Similarly, the reduction of scope 3 emissions was also an ongoing priority for insurers. Most insurers had committed to a scope 3 emissions reduction target. Most insurers discussed actions taken to reduce emissions from their underwriting portfolios. Of these, some insurers had set commitments related to the emissions of their underwriting portfolio. All banks and insurers had set targets for their scope 1 and 2 emissions.

Several banks also identified new opportunities to support home loan customers in reducing their emissions, including with new lending products to support customers installing solar panels and batteries in their homes. Insurers were also taking measures such as allocating a portion of customer insurance premiums to impact investments aimed at achieving positive environmental and/or social outcomes or working with community partnerships aimed at natural disaster risk reduction.

Nature reporting is still in its preliminary stages. Most banks were taking steps to define their approaches to nature-related reporting and target setting and a few banks had started to draw on the work of the Taskforce on Nature-related Financial Disclosures (TNFD) to guide their reporting. Some insurers discussed contributing to industry groups that are developing commentary around the role nature reporting has to play in the insurance sector.

1.2 Reporting on financed emissions under the NZBA

In 2024, the banks were all signatories to the United Nations-convened NZBA. The NZBA's aim is to align the banking sector with global climate goals by establishing science-based targets for reducing financed emissions – that is, transitioning the banking sector's lending and investment portfolios to net zero by 2050. In accordance with the NZBA 2024 framework, the banks have set financed emissions targets for a range of high-emitting sectors. Common sector targets include coal, oil and gas, transport, heavy industry and residential and commercial real estate.

In February 2025, Macquarie announced it will no longer be a member of the NZBA, following the trend of a number of major US and Canadian banks.⁸ One of these, Wells Fargo, has scrapped its financed emissions targets, saying 'many of the conditions necessary to facilitate our clients' transitions have not occurred'.⁹ Similarly, HSBC, has put its interim financed emissions targets under review.¹⁰ On the other hand, at least some European banks appear to be doubling down, with several declaring their intention to remain committed to the NZBA and some calling it an opportunity for the NZBA to be more ambitious with its commitments.¹¹

The NZBA has undoubtedly watched the announcement of the recent suspension and review of the similarly motivated Net Zero Asset Managers initiative, announced shortly after Blackrock's departure from that initiative.¹² The list of signatories has been removed from the Net Zero Asset Managers website pending the outcome of the review.

⁷ For the purpose of this report we use "bank" to also refer to broader financial services entities with an ADI.

⁸ <https://www.euronews.com/green/2025/02/10/top-american-banks-exit-net-zero-alliance-what-does-this-mean-for-their-european-peers>

⁹ <https://www.wellsfargo.com/about/responsibility-and-impact/sustainability/#Expand>

¹⁰ <https://www.hsbc.com/investors/results-and-announcements/annual-report>

¹¹ <https://www.euronews.com/green/2025/02/10/top-american-banks-exit-net-zero-alliance-what-does-this-mean-for-their-european-peers>

¹² Update from the Net Zero Asset Managers initiative – The Net Zero Asset Managers initiative

On 15 April 2025, the NZBA announced its members had voted in favour of proposed changes to the 2024 framework, including a softening from requiring banks' commitments to align with limiting temperature rises to 1.5 °C, to requiring them to align with temperature rises of 'well below 2 °C, striving for 1.5 °C'.¹³

Meanwhile the New Zealand Commerce Commission has said it will investigate whether commitments by lenders under the NZBA could breach anti-cartel requirements.¹⁴ This follows complaints and investigations in the US against the NZBA and other alliances on bases including antitrust grounds, which have led to the Net Zero Insurance Alliance being disbanded and reformed as the UN Forum for Insurance Transition to Net Zero.¹⁵

As banks strive to meet their commitments under the NZBA, some have discussed practical difficulties in setting emission targets and accurately reporting in certain industries. To ensure transparency despite these difficulties, banks have made disclosures such as:

- (a) opting to cease reporting on emissions for certain sectors due to data anomalies and issues with baselines set during COVID;
- (b) deciding not to set sector targets for agriculture due to a lack of an Australian pathway for this sector which is aligned with the Paris Agreement; and
- (c) disclosing that they will not meet certain commitments or are not currently on track to meet certain targets.

1.3 Assumptions underlying financed emissions sector targets

Financed emissions are scope 3 emissions – that is, indirect emissions that occur at sources not owned or controlled by the entity. Assumptions relating to financed emissions are therefore key and generally prominently disclosed by banks and insurers.

The reports generally identified the decarbonising of Australia's electricity grid and the broader economy as a key factor to enable them to meet their targets. Examples of other assumptions include homeowners investing in home energy upgrades, an increasing rate of adoption of electric vehicles, and the commercialisation of carbon capture and storage.

Several banks and insurers noted changes to Australian government policies and industry progress on decarbonisation will impact climate modelling and their ability to meet targets. Some banks also explicitly called out that if the electricity grid was not decarbonised in accordance with their assumptions, they will be unable to meet a range of their relevant financed emissions sector targets.

Most banks and insurers included forward-looking statements disclaimers cautioning readers about the significant uncertainty in climate metrics and modelling and the many underlying risks and assumptions that may affect actual outcomes.

1.4 Actions being taken to meet financed emissions sector targets

Banks also took steps to help customers reduce their emissions, and thereby assist the banks to meet their financed emission targets. Some banks are offering dedicated products to help customers reduce their emissions (such as loans for home energy upgrades and specialised financing for electric vehicles).

Banks are also focused on engaging with customers on their sustainability strategies. In particular, some banks have introduced requirements for certain customers to put in place transition plans and develop tools to assess and engage with customers on their transition plans. Some banks also discussed incorporation of ESG risk assessment in their credit processes.

Similarly, most insurers are working towards climate responsible underwriting and investment portfolios. One insurer identified that they were currently developing a transition plan including underwriting targets, expected to be released in FY25. Another insurer had set a net zero underwriting strategy and was in the process of engaging with key customers to progress this.

Banks are also focused on rebalancing their portfolios towards less emission intensive activities. Multiple banks have ceased to directly finance new coal projects, instead encouraging investments in renewable energy projects. Several insurers have also committed to impact investments to focus on green bonds project financing which provides environmental benefits for wind and solar farms, clean transportation and lower carbon commercial properties.

1.5 Advocating for government policy in relation to financed emissions

Some banks discussed in their reports various government policies that they anticipated would assist them in meeting their financed emission targets. Examples of policies identified by certain banks included:

- (a) in relation to commercial and residential real estate: the National Construction Code 2022, the promotion of low carbon building practices and the integration of smart metering for all Australian households and small business;
- (b) a structured approach to net zero planning and the development of sectoral decarbonisation pathways by the Australian government; and
- (c) policies aimed at derisking renewable energy and transmission projects.

Insurers also included policy and research initiatives they support in their reports. In particular, most insurers were focused on:

- (a) advocating for greater government investment in disaster risk reduction and community resilience measures; and
- (b) supporting government consultations and inquiries to share data and knowledge, seeking to ensure stronger investment in disaster mitigation and natural hazard resilience.

1.6 Meeting operational emissions targets

Most banks and insurers have set targets to reduce their operational emissions and several highlighted being close to or on track to reaching those goals. Some examples referenced in their reports as actions taken to reach net zero included the integration of renewable electricity sources for office spaces and the use of electric vehicles in domestic fleets.

However, challenges remained, particularly in managing ongoing dependencies on air travel for business. Reported actions to address this included enhancing travel policies, promoting remote work where appropriate, and investing in carbon offset initiatives to mitigate the environmental impact of necessary air travel.

A SPOTLIGHT ON INSURANCE AFFORDABILITY

The affordability of insurance premiums is an emerging risk for Australian banks and insurers, attributed to an increased frequency of claims, higher building and labour costs, supply chain issues, and global reinsurance costs post-disaster events. Several banks and insurers also explicitly attribute this to the impacts of climate change and the severity of natural disasters in their climate reporting.

Insurers continue to monitor the risk of insurance affordability through internal analysis procedures and stakeholder engagement, and are engaging with government initiatives to address issues associated with this risk. As most banks view the issue as an emerging risk for customers, they have taken steps to analyse insurance affordability across mortgage lending portfolios. With the increased attention given to the issue of insurance affordability, many banks and insurers recognise the need for government policy settings to curb impacts for customers, especially for high-risk natural disaster areas.

The percentage of households experiencing home insurance affordability stress was 15% in 2024 (up from 12% in 2023 and 10% in 2022).¹⁶

¹³ Net-Zero Banking Alliance renews mandate with increased focus on unlocking opportunities for financing real economy decarbonization – United Nations Environment – Finance Initiative
¹⁴ New Zealand probes banks' climate commitments for anti-cartel behaviour | Reuters
¹⁵ <https://www.esgdrive.com/news/net-zero-insurance-alliance-disbands-rebrands-forum-insurance-transition-net-zero/714598/>

¹⁶ Household affordability stress is defined as households facing insurance premiums that are more than four weeks of gross household income. Source: Home Insurance Affordability and Home Loans at Risk (2024).

2 ENERGY AND UTILITIES

1.7 Integrating technology

Most banks highlighted the steps they were taking to integrate technology to support climate reporting and the net-zero transition for customers. This included developing technology solutions to support the collection, storage and use of climate data for reporting purposes, supporting technology pilots for emitting sectors, and investing in building data and analytical capabilities through climate risk tools. Several banks also focused on agricultural tools, such as one bank's tool to assess physical climate risk for agribusiness and another bank's pilot of an online emissions calculator and reduction planner to assist agricultural emissions measurement.

Some insurers also referenced measures taken to integrate technology to improve data management. This includes data and risk assessment technologies for reporting on internal and third-party suppliers, collaborative platforms to collect data from stakeholders and developing a entity-wide data strategy.

1.8 Considering nature

Nature remained a developing area of focus amongst banks and insurers.

Several banks indicated an intention to commence nature-related reporting through, for example, the development of a nature-positive banking strategy, investment in nature-related partnerships, engagement on key industry initiatives, and the development of sector level nature risk assessment tools.

Several banks also acknowledged the emerging significance of the TNFD with some starting to draw on the recommendations made by the TNFD to guide their reporting. A few banks also included TNFD indexes in their climate reports.

In a similar vein, one insurer identified biodiversity loss as an emerging risk that may result in increased risks and costs for the insurer. Measures taken by some insurers to address nature risk include broadening the scope of climate research to include biodiversity, and joining the PSI Nature-Positive Insurance Working Group.

1.9 What's next?

For future reports, the banks have flagged they are focused on the mandatory reporting regime, setting additional sector-level targets, assisting business customers develop mature transition plans, progressing performance against existing targets and use of technology to support climate reporting. Insurers shared similar ambitions in their 2024 reporting but with an added emphasis on natural disaster resilience.

2.1 Introduction

Energy and utilities entities continued to broadly align in their climate reporting, emphasising similar climate-related risks and opportunities and taking similar approaches to board and executive accountability.

A key focus in these reports was the investment opportunities associated with the energy transition including solar, hydrogen, and decarbonisation. Nuclear, for the moment, was not explicitly identified by any of the entities as an investment opportunity.

While timing for the energy transition was broadly accepted within this sector and focused on 2030 and 2050 targets, entities diverged in how heavily they emphasised the need to meet growing global energy demand alongside their emissions reduction goals.

Some entities emphasised this balancing act as an area of focus for industry as well as regulators, governments and market operators. Some acknowledged the need for the energy sector to meet the dual goals of decarbonisation and global energy demand.

This divergence extended to the climate scenarios being modelled, and the extent to which published targets covered scope 3 greenhouse gas emissions.

2.2 Aligning climate risks and opportunities

There continued to be strong alignment amongst energy and utilities entities on their climate-related risks and opportunities.

On risks, many entities continued to emphasise similar policy and legal risks, including exposure to litigation, delays to obtaining regulatory approvals, expanded carbon pricing and changes to government climate-related policies. On the technology front, these entities also noted the risks associated with unsuccessful technological investments, over-reliance on policy to support commercial viability and the inability to scale technologies.

On opportunities, these entities leaned into the investment prospects associated with expanding their clean energy portfolios, noting opportunities across battery development, transmission networks, hydrogen, solar, and decarbonisation. They also highlighted the savings associated with efficiency improvements in shipping, building stock, and the substitution of fuel gas for biomethane. In particular, these entities emphasised their investments in technology to assist in meeting their own emissions reductions targets, as well as economy-wide decarbonisation, including through commercial partnerships with infrastructure providers and downstream customers and through strategic acquisitions.

We await the result of the upcoming federal election in Australia to see whether nuclear is included as an investment opportunity in coming years given the Coalition's announced intentions to introduce zero-emissions nuclear energy in Australia.¹⁷

2.3 Adopting similar approaches to responsibility and remuneration

Similarly, entities in this sector were aligned in relation to oversight of climate-related risks, with risk committees retaining primary responsibility.

However, there was some divergence on the extent to which climate-related considerations were factored into executive remuneration and the level of disclosure provided.

Notably, we observed that:

- (a) one entity's chief executive officer and executive leadership team had at least 10% of their FY24 short term incentive determined based on the entity's performance against priorities aligned with implementing the entity's climate transition plan;
- (b) another entity amended its executive remuneration framework such that scope 1 and 2 emissions, alongside progress of the entity's new energy projects, impacted performance-based remuneration for its executive leadership team; and
- (c) other entities noted generally that performance against sustainability measures and metrics formed a part of their remuneration policies.

¹⁷ [Australia's Energy Future - Liberal Party of Australia](#)

A SPOTLIGHT ON METHANE EMISSIONS

Energy and utilities entities are especially focused on reducing methane emissions because of their near-term importance to achieving global climate goals. Actions taken included:

- (a) continually reviewing and monitoring methane emissions;
- (b) implementing methane emissions reduction plans;
- (c) becoming signatories to the Oil and Gas Climate Initiative's 'Aiming for Zero Methane Emissions' initiative;
- (d) endorsing the 'Zero Routine Flaring by 2030' initiative; and
- (e) setting targets for reducing methane emissions by 2030.

2.4 Diverging in emphasis of goals, targets and reporting

Entities in the energy and utilities sector also recognised the growing gap in opposing objectives to reduce carbon emissions and meet climbing demand for energy in the Australian market. However, these entities differed on how heavily they emphasised one over the other. In the process, these entities highlighted that it is not only commercial enterprise but also government and regulatory bodies placing focus on how to balance these competing objectives.

There was also some divergence amongst entities in the scenario analysis used to identify climate-related risks. While 1.5°C scenarios continue to be the most popular, other scenarios are also being modelled, with one entity also modelling 2°C outcomes and another modelling 1.8°C, 2.7°C and 4.4°C scenarios respectively.

We also observed differences between greenhouse gas emissions targets and the extent to which those targets covered scope 3 greenhouse gas emissions. Some entities have now published long-term ambitions to achieve net zero scope 1, 2 and 3 emissions by 2050 and interim reductions targets for 2030. Other entities were still in the process of developing their scope 3 emissions targets or had opted to supplement existing scope 1 and scope 2 emissions targets with emissions abatement capacity targets. One entity engaged with its key suppliers to obtain their scope 1 and scope 2 emissions data to aid its scope 3 emissions analysis and reporting. Another extended the timeframe for its scope 2 emissions reductions targets from 2040 to 2050 as a result of the slower than anticipated progress towards grid decarbonisation.

When it comes to meeting those targets, some entities were explicitly reporting on the extent to which they are using carbon credits to achieve or otherwise offset their targets.

2.5 Stakeholder feedback and just energy transition principles

Entities within this sector also explicitly noted that stakeholder feedback provided on previous climate reports or transition plans had been taken seriously and, in one entity's case, explained mitigation measures and other steps taken to address concerns raised.

In most cases, these entities highlighted the value of continued engagement with stakeholders to inform the approach to climate initiatives and their projects broadly, energy transition or otherwise. One entity specifically noted open and transparent engagement with stakeholders as a key consideration emphasised by the just energy transition principles.

On the theme of a just energy transition, some energy and utilities entities referred to Ipieca, the global oil and gas association for advancing environmental and social performance across the energy transition. One entity engaged with the association to bolster its knowledge from external sources and explained that its sustainability disclosures were guided by, among other things, the Ipieca oil and gas specific reporting guidelines. Another entity adopted the principles set out in the Ipieca statement on just transition.

For those entities which did not expressly state that they follow the Ipieca guidelines, they nevertheless recognised their role in the just transition, with one entity noting its complete support of the Paris Agreement and highlighting it had established internal working groups to identify opportunities to implement the just transition principles recognised as imperative by the Paris Agreement.

2.6 Global developments

Globally, we also observed recent developments in the energy and utilities sector which further entrenched the shift towards greater accountability. This has largely been driven by continued scrutiny from the public, courts and media.

A report by Oil Change International and Zero Carbon Analytics noted a tripling of climate-related lawsuits since 2015 against oil and gas companies, with a significant proportion demanding compensation for climate damages or addressing misleading advertising.¹⁸

In 2024, litigation activity in this space included California's lawsuit against ExxonMobil alleging decades of misleading the public about single-use plastic recycling,¹⁹ Marathon Oil's \$241.5 million settlement with the Environmental Protection Agency for air quality violations²⁰ and a criminal case against the CEO and directors of French energy company, TotalEnergies, alleging their fossil fuel exploitation had contributed to the deaths of victims of climate-fuelled extreme weather disasters.²¹

However, shareholder activism (and the right of shareholders to engage in this activity) also remains front of mind with reports that ExxonMobil was suing two of its shareholders for proposing actions to reduce greenhouse gas emissions²² while a climate resolution urging Shell to align its emissions with the Paris Agreement was rejected, receiving lower-than-usual support compared to previous years.²³

2.7 What's next?

Looking ahead, we expect entities in the energy and utilities sector may continue refining their climate reporting, with a particular focus on setting and achieving more comprehensive emissions targets, including scope 3 emissions. It will be interesting to see whether recent geopolitical shifts influence a subtle rebalancing of priorities, in particular a greater emphasis on retaining existing operations to meet global energy demand, and how developments in global litigation impacts entities' strategies.

It has now been reported that ExxonMobil no longer faces any shareholder proposal this year, for the first time in 25 years.²⁴

18 [Big oil faces a rising number of climate-focused lawsuits, report finds | Climate crisis | The Guardian](#)

19 [California sues ExxonMobil for misleading the public on plastic recycling : NPR](#)

20 [Marathon Oil reaches a \\$241 million environmental settlement with EPA : NPR](#)

21 [Climate victims file criminal case against bosses of oil firm Total | Climate crisis | The Guardian](#)

22 [ExxonMobil's Lawsuit Against its Shareholders: A Cautionary Tale](#)

23 [Shell faces shareholder rebellion over climate activist resolution | Shell | The Guardian](#)

24 [Exxon faces no shareholder proposals for first time in 25 years](#)

3 MATERIALS

3.1 Introduction

While the materials sector is integral to Australia's shift to decarbonisation, it is also a major source of greenhouse gas emissions with mining alone contributing to nearly 10% of Australia's greenhouse gas emissions.²⁵ The sector faces significant exposure to both physical climate risks – such as extreme weather events, water scarcity and supply chain disruptions – and transition risks arising from the global shift towards decarbonisation.

As a result, materials entities in the ASX50 have experience in navigating sustainability reporting and aligning with international frameworks.

However, challenges remain, especially in relation to decarbonising across the full materials value chain due to the high energy intensity of mining activities, heavy reliance on emissions intensive fuels and difficulties in meeting the thermal energy for processing from renewable energy generation.

3.2 Normalising sustainability reporting

The sector is experienced in ESG reporting, with some entities having reported on greenhouse gas emissions since the early 2010s. All are now reporting in separate sustainability reports, with some cross referring to their annual report or supplementing their existing reporting with 'sustainability data suites'.

Additionally, we observed that all reports aligned with the TCFD framework, with many acknowledging that work is underway to meet the new mandatory AASB S2 climate-disclosure standard.

There continues to be progress with operational and broader emissions target setting, although in some cases significant acquisitions were impacting previous baselines.

Nature-related reporting is clearly gaining traction in an industry long experienced with environmental impact assessment and management, with some entities commencing work on TNFD reporting, others finalising biodiversity action plans and biodiversity strategies in 2024 and some setting biodiversity targets. For example, one mining entity had a 2030 healthy environment goal, seeking to create nature-positive outcomes by having at least 30% of the land and water they steward under conservation, restoration or regenerative practices by FY2030. Meanwhile, another had a published goal to achieve a net positive impact on biodiversity and has entered a strategic three-year collaboration with the International Union for Conservation of Nature to develop a nature roadmap towards achieving nature positive impact.

3.3 Climate change brings risks, as well as opportunities

All ASX50 materials entities reported having undertaken scenario analysis, with many looking at three or even four temperature scenarios and both bottom-up (site specific level) and top-down (organisational or portfolio level) assessments. Some include quantitative analysis of impacts from physical climate change.

Key physical risks identified across the reporting cohort included heat stress to staff, increased extreme weather events such as cyclones, sea level rise and storm surge impacting on ports and shipping, drought leading to operational water shortages and increased risk of tailings dam failure from extreme rainfall.

Transition opportunities were widely reported and included increasing resilience to volatile energy pricing, improved social license to operate and supporting the energy transition (for example through the ongoing and expanded production of lithium).

Transition risks such as changing global demand, reduced revenue from decreased production capacity, inability to meet carbon targets due to difficulty decarbonising and altered demand patterns in the steel industry signal that the transition to a lower carbon economy also poses a range of risks to the materials sector.

3.4 Reducing and reporting on emissions

All entities in this sector had emissions reduction targets but only just over half were targeting net zero operational emissions (scope 1 and 2) by 2050.

Just under half had targets relating to scope 3 emissions, demonstrating the inherent difficulties associated with reducing carbon footprints across the value chain in the energy intensive materials sector. Many emissions targets were based on emissions intensity, and some singled-out steelmaking emissions intensity targets as its own category.

Technology challenges for longer term emissions abatement continue, adding to uncertainty for carbon reductions from about 2035. One entity succinctly summarised the contingencies on which its long term target depends as follows: 'achieving our 2050 net zero goal is contingent on five key enablers: technology evolution, raw materials supply, firm, affordable renewables, hydrogen and natural gas availability, and public policy'.

Some materials entities are also divesting from metallurgical coal and aiming to phase coal out of their value chain.

One entity also reported that it was wholly committed to absolute emissions reductions, targeting 'real zero' in its operations by 2030.

3.5 Collaboration is key for decarbonisation in the materials sector

Participation and policy advocacy are key for developing technologies for these enabling areas, as well as increasing renewable energy generation in this sector.

Cross-industry and government players are working together to explore opportunities for this sector to decarbonise and progress towards net zero carbon emissions by 2050, through initiatives such as the:

- (a) Sustainable Shipping Initiative and Sea Cargo Charter;
- (b) Future Energy Exports Cooperative Research Centre;
- (c) Chamber of Minerals and Energy;
- (d) Electric Mine Consortium and Climate; and
- (e) Energy Reference Group.

Actions noted as being undertaken to reduce emissions in mining and production include transitioning heavy machinery to 100% renewable diesel, battery haul truck trials, commission or completion of solar or wind generation, piloting recycling plants and collaboration with the supply chain to reduce carbon footprint of materials.

3.6 Embedding sustainability into governance structures

Many of the entities reviewed have a chief sustainability officer (or similar) within the C-suite.

ESG considerations also feature in a number of board and committee charters, with several having dedicated board sustainability committees and associated charters.

In 2024, some entities also expressly link remuneration to ESG key performance indicators, or otherwise shared plans to implement sustainability-linked remuneration targets.

3.7 Global developments

Globally, we have observed several strategic acquisitions and investments from materials entities in the past year. Examples include US-based coal miner Peabody Energy's acquisition plans for several major coal mines in Australia (although these are not without risk)²⁶ and Vale's Novo Carajás Program in Brazil which aims to boost iron ore and copper production and includes significant investments in environmental protection and the development of innovative products to reduce emissions in the steel industry.²⁷

Other notable investments included Rio Tinto's \$16 million investment in an anti-deforestation project in Madagascar²⁸ and BHP's collaboration with Arca, a Canadian startup, to use mining tailings from its Mount Keith mine to absorb carbon dioxide from the atmosphere.²⁹

3.8 What's next?

In 2025, we expect that a focus on further identifying physical climate risk, collaborating and investing in decarbonisation initiatives, and expanding business models to take advantage of increased demand for minerals will remain front of mind against a backdrop of shifting global politics and an increased focus on nature.

25 Mining in a low emissions economy - Clean Energy Finance Corporation

26 Peabody's \$6b deal to buy Anglo's Queensland coal mines at risk

27 Novo Carajás Program looks to boost Vale iron ore, copper output - International Mining

28 Rio Tinto invests \$16m in anti-deforestation project in Madagascar

29 BHP mine shows how tailings can become a climate change-fighting 'superpower' - Stockhead

4 CONSUMER DISCRETIONARY AND CONSUMER STAPLES

4.1 Introduction

This sector spans entities with operations encompassing supermarkets and grocery, gaming and entertainment, retail, alcohol, fertiliser and safety products.

While there were some commonalities, there were significant variations in the level of climate-related disclosures made by entities across the sector.

4.2 Preparing for mandatory climate reporting

2024 was a year of refresh for many consumer entities as they prepared for the introduction of mandatory climate-related financial disclosures.

However, these preparatory steps look different between these entities as some report that they:

- (a) refreshed their climate scenario analysis;
- (b) commissioned a gap analysis to guide future work and assess preparedness for mandatory reporting;
- (c) refined their scope 3 emissions inventory to help identify achievable and measurable reduction opportunities;
- (d) adopted a double materiality assessment lens to identify risks and opportunities related to activities and value chain;
- (e) consolidated their sustainability strategy and initiatives; and
- (f) reviewed their scope 1, 2 and 3 emission reductions targets.

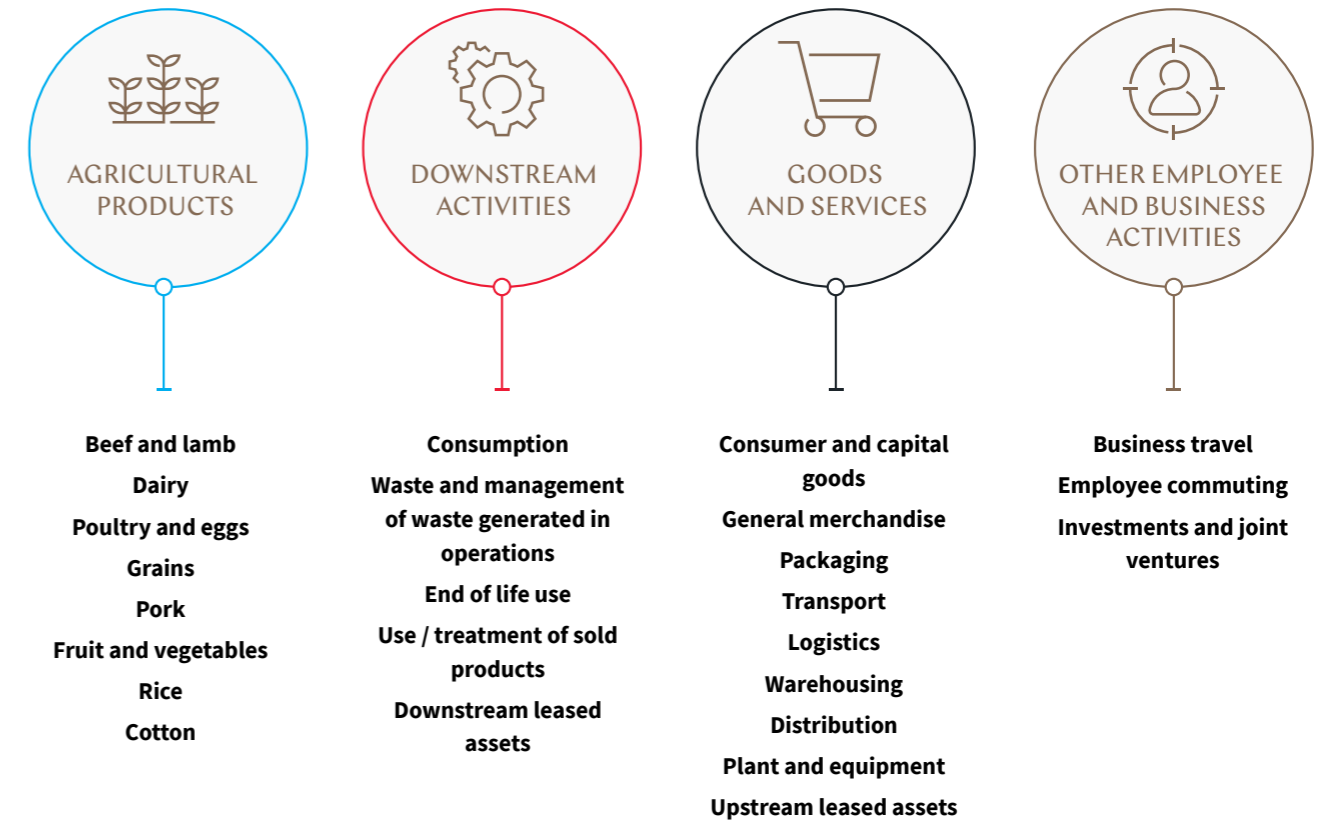
We also observed significant variations in the scope and detail of reporting provided by these entities in 2024. Some entities provided detailed reports on a wide range of climate-related topics which reflected their large-scale operations and diverse product offerings. By contrast, other entities clearly had a more specific operational focus or only emphasised specific issues which were pertinent to their business and considered critical to climate resilience. Examples of climate issues raised in these entities' climate reports included: responsible stewardship of natural resources, supply chain disruptions and building a circular economy.

4.3 Reporting on emissions

Unsurprisingly, emissions reporting was again a strong feature of reports this year. Specifically, we observed that:

- (a) scope 2 emissions form a significant part of these entities' operational footprints, largely associated with electricity consumption. While nearly all entities reviewed across this sector reported a reduction in scope 2 emissions, one entity disclosed a 55% increase in their scope 2 greenhouse gas emissions partly attributed to the identification of new properties within the entity's operational control; and
- (b) scope 3 emissions remain material and significant for most of the businesses within this sector. While most entities itemised sources of upstream and downstream scope 3 by percentage, some entities reported that they were still in the process of conducting an inventory of their scope 3 emissions.

EXAMPLE SOURCES OF SCOPE 3 EMISSIONS



4.4 Reducing emissions

Recognising the importance of emissions reduction, all entities had set targets to reduce scope 1 and 2 emissions, with most aiming for substantial reductions by 2030 and net zero by 2050.

However, some entities went a step further and made public commitments in relation to their scope 3 emissions: one retailer has committed to having 75% of their suppliers adopt science-based emissions reduction targets by the end of FY27 while another has committed to developing a supply chain council to partner with key suppliers on emissions reduction strategies.

4.5 Switching to renewable energy

Many entities within this sector also recognised that switching to renewable energy is an effective way to tackle emissions with more resources and partnerships being dedicated towards facilitating this transition. Actions taken included:

- (a) adopting specific targets for sourcing 100% renewable electricity by 2025;
- (b) generating on-site electricity from solar and/or waste heat sources; and
- (c) reducing overall electricity use through LED lighting and efficient heating.

4.6 Nature activism

With its consumer focus and long supply chains, this sector faces scrutiny from many fronts. In 2024, that included the 'Save the Skate' campaign against the major supermarket retailers by a new activist – SIX. SIX's campaign was aimed at protecting the Maugean Skate, an endangered species in Macquarie Harbour. The campaign was a focus at both retailers' annual general meetings (AGMs), as we wrote about in [our report on 2024 AGMs](#).

4.7 Engaging other stakeholders

The sector had a mixed approach to engagement with the Australian and state governments. This has taken various forms including active collaboration with state governments on policies and actions to support climate change.

Participation in industry associations also featured prominently in reporting this year with several entities noting continuous engagement, collaboration and partnerships with industry associations to draft submissions to governments and to develop and test new technology.

4.8 Global developments

Consumer discretionary and consumer staples entities globally are integrating sustainability into their core operations, product development, supply chain management and investments. This shift may be attributed to a mix of growing demand for sustainable products, regulatory pressure and the need to mitigate climate-related risks.

For example, IKEA's parent company announced a €1 billion investment in entities focused on enhancing recycling infrastructure, aiming to increase the availability of recycled materials and reduce emissions.³⁰ Similarly, IBM and L'Oréal have launched a collaboration to use generative AI technology to develop more sustainable cosmetics, aiming to reduce energy and material waste while enhancing product formulation processes.³¹

The sector has also seen significant legal action aimed at holding companies accountable for their environmental claims, including the Washington-based Environmental Working Group's lawsuit against Tyson Foods alleging that the company misled consumers by claiming it would achieve net-zero emissions by 2050 and marketing 'climate-friendly' beef without substantial plans to meet these goals.³² In 2024, it was also reported that the ten largest food companies in the UK produce more carbon emissions than the aviation industry, prompting general calls for greater action to address the climate emergency.³³

4.9 What's next?

Similar to other sectors, we expect we may see a continued focus on refining emissions inventories and setting further reduction targets, particularly for scope 3 emissions. As the transition to renewable energy continues, more entities in the consumer discretionary and consumer staples sector may adopt specific targets and continue to invest in on-site generation and energy efficiency measures. Additionally, we expect stakeholder engagement and broader collaboration will play crucial roles in shaping sustainable practices and addressing regulatory pressures, such that entities in this sector remain accountable and proactive in their climate strategies.

5 REAL ESTATE

5.1 Introduction

Given buildings account for approximately 20% of Australia's total energy consumption,³⁴ it is unsurprising that the real estate sector has set ambitious climate goals.

All entities reviewed aim to achieve net zero scope 1 and 2 emissions by 2030 and some entities disclosed that they have already reached their target of achieving net positive or neutral carbon in scope 1 and 2 emissions ahead of their targeted schedule.

However, like many other sectors, a significant challenge for the real estate sector was addressing scope 3 emissions. Most entities reported on a limited definition of scope 3, excluding many key items which otherwise made up the core of scope 3 emissions, and acknowledging further review and assessment of scope 3 was required.

Furthermore most, if not all, entities in this sector included certifications for their buildings, verified by internationally recognised green building schemes such as the Green Star buildings rating by the Green Building Council of Australia and the National Australian Built Environment Rating System (NABERS) by Australian state, territory and federal governments.

Additionally, the real estate sector continued to explore opportunities to reduce emissions, whether that be by reducing the carbon footprint of materials used in construction or by supporting stakeholders and building users through increased electrification. We have observed a particular focus within the real estate sector towards minimising the impact of construction methodology over improving efficiencies in existing built form.

5.2 Preparing for mandatory climate reporting

We are increasingly seeing real estate entities integrate climate risk into their governance structures and strategic planning as they prepare for mandatory climate reporting. Examples of actions being taken included:

- (a) broadening the scope of the entity's audit, risk and compliance committee to include oversight for sustainability disclosures;
- (b) having a standalone board sustainability and innovation committee to oversee property innovations, including technologies that impact sustainability;

- (c) developing climate transition action plans that align with the Science Based Targets initiative (SBTi) and the TCFD recommendations;
- (d) commissioning a gap analysis to highlight areas for improvement; and
- (e) engaging external consultants to review proposed disclosures and make recommendations for improved alignment with TCFD, TNFD, ISSB and the EU Sustainable Finance Disclosure Regulation reporting frameworks.

Practice was mixed amongst entities in this sector as to whether entities included their climate reporting in a separate report, or as part of their annual report (or a mix of both).

5.3 Reporting on emissions

The real estate sector has significantly reduced its scope 1 and 2 emissions over the last couple of decades due in large part to divestments and a shift in energy generation consumption from fossil fuels to renewable energy.

Even accounting for the increased electrification and use of renewable electricity over time, energy usage for some entities has almost halved. This demonstrates the impact improving energy efficiency in buildings and adopting smart building technologies like automated lighting and temperature controls can have.

All entities had adopted their own net zero target or ambition for 2025 or 2030. 2 reported that they had achieved their target in 2021.

These net zero targets were often supplemented by other short and medium-term targets, for example achieving 100% renewable electricity use within operations by 2025 or prioritising centre efficiency and the generation and procurement of renewable energy to achieve an interim 50% reduction in scope 1 and 2 emissions by 2025.

³⁰ [IKEA Parent Ingka to Invest \\$1 Billion in Recycling-Focused Companies - ESG Today](#)

³¹ [IBM, L'Oréal to Use AI to Develop More Sustainable Cosmetics - ESG Today](#)

³² [Green group sues Tyson Foods for allegedly false climate claims | Reuters](#)

³³ [Top UK food firms urged to do more to cut 'staggering' emissions | Food | The Guardian](#)

³⁴ [Department of Climate Change, Energy, the Environment and Water, Buildings \(February 2024\)](#)

5.4 Reviewing scope 3 emissions

We also noted that entities within this sector were still reviewing their scope 3 emissions inventories and were at different stages of formulating their approach to scope 3 emissions. For example, we observed that:

- (a) one entity included activities such as business travel, advertising, staff commuting, and data servers within its scope 3 emissions calculations, but did not include embodied carbon from developments and customer emissions. It reported that it was currently reviewing the 'appropriate reporting and targets associated with scope 3 emissions' as it looks to comply with the new mandatory disclosures. By 2030, it had committed to halving its square-metre intensity of greenhouse gas emissions from a 2021 baseline (which covers the use of its buildings by its customers and the use of its buildings which it has sold);
- (b) meanwhile another entity reported scope 3 emissions on a limited basis, including emissions from transmission and production losses, waste disposal, car and airline travel. It had deferred reporting of more fulsome scope 3 emissions (including embodied emissions) to 2025 so that its reporting can 'align with the relevant standards and market comparability'. It also disclosed that it aimed to halve its scope 3 emissions intensity by 2030; and
- (c) another entity excluded scope 3 emissions from its net zero target and reported that it was continuing to assess the categories that were relevant to its business. It measured four categories: fuel and energy related activities, waste generated in operations, business travel and employee commuting but recognised there were additional categories (purchased goods and services, capital goods, tenant electricity and small equity investments) which it planned to further assess in terms of relevance and materiality.

5.5 Switching to renewable energy

Additionally, the real estate sector also recognised that renewable generation was one of the key mechanisms to minimise emissions during the ongoing occupation of a building. Accordingly, entities in the real estate sector have been:

- (a) installing solar photovoltaics on rooftops to generate renewable energy;

- (b) installing charging points for electric vehicles;
- (c) maximising energy efficiency with technologies like automated LED lighting;
- (d) buying 100% renewable electricity through arrangements like power purchase agreements; and
- (e) offering building users access to renewable energy via embedded networks.

Renewable energy usage varied significantly between entities from as high as 80% to as low as 25%. We also observed that the purchase of large-scale generation certificates and GreenPower often comprised the highest proportion of the sector's energy mix.

Real estate entities also reported that they were forming innovative partnerships to achieve their renewable energy ambitions. For example, one entity has partnered with a distributed energy resources entity to achieve 100% renewable energy across its portfolio and net zero scope 2 emissions by 2025. This approach also generates recurring income for this entity from licensing roof space for solar infrastructure.

5.6 Adopting circular economy principles

Several entities in this sector also reported that they were embracing circular economy principles to reduce waste and enhance resource efficiency. They were doing this by:

- (a) reusing and recycling materials: one entity reported that they had set a goal to achieve zero waste to landfill by 2030, with significant progress already made, including a 96% diversion rate for construction waste;
- (b) using lower carbon materials and construction processes: one entity reported it had entered strategic partnerships with suppliers to promote the use of lower carbon materials and construction techniques, which has allowed it to use 100% lower-carbon concrete products for home slabs in certain developments and adopt road surfacing materials containing highly recycled content. Meanwhile, another entity shared that it had trialled low carbon concrete at one development in Melbourne, reducing 10,000 tonnes CO₂-e in embodied carbon;
- (c) tracking building materials through their lifecycle: one entity reported it had partnered with an architect to pilot a digital tool that provides insights into the potential reuse of building components; and

- (d) embedding circular design principles into their projects: one entity reported that it was piloting a new framework to build only what was needed, efficiently, and with the right materials.

A SPOTLIGHT ON CARBON

Adopting low carbon practices is crucial for reducing greenhouse gas emissions in the real estate sector, especially as upfront embodied carbon emissions associated with materials used in new developments represent a significant proportion of scope 3 emissions for the industry.

As a result, many real estate entities have adopted lower carbon materials and processes in building construction. However, these materials often have higher input prices which may need to be managed by leveraging solutions such as on-site renewables installation and the procurement of renewable energy, both of which offer some of the most competitive average costs of generating electricity over the lifetime of an asset.

Some entities have also opted to address the carbon associated with building materials by purchasing and retiring offsets.

5.7 Energy efficient buildings on the rise

Energy efficient buildings are critical to reducing emissions in this sector. There is also a direct financial benefit as between 2005 and 2023, with one entity identifying over \$340 million in accrued energy cost savings due to efficiency improvements.

This has led to a number of entities focusing on adopting more energy-efficient designs and technologies. Actions taken in this space included real time monitoring and optimisation of building services, implementing automated LED lighting, electrical sub-metering and solar energy systems to enhance energy performance and obtaining NABERS energy ratings to measure the sustainability of their buildings.

5.8 Global developments

New technologies continue to be developed, including specific solutions for real estate asset managers and investors.³⁵ This reflects the evolving needs of institutional investors and managers seeking deeper insights into the sustainability performance of individual assets.

Meanwhile, investments in renewable energy infrastructure are becoming increasingly important. Real estate investor BGO recently doubled its equity stake in Bulk Infrastructure to support a €1 billion expansion of renewable-powered data centres in Norway, driven by rising demand for AI computing power.³⁶ This investment underscores the growing importance of renewable energy sources in real estate developments, particularly in data centres and other energy-intensive facilities.

5.9 What's next?

Moving forward, we expect real estate entities to continue developing and refining their climate transition action plans and enhance their sustainability disclosures in line with mandatory reporting requirements. Additionally, we anticipate that the sector will likely continue to invest in renewable energy and energy-efficient technologies, while continuing to increase their adoption of circular economy principles to reduce waste and enhance resource efficiency.

³⁵ [GRESB Launches New Suite of Sustainability Data Solutions for Real Estate Managers and Investors - ESG Today](#)

³⁶ [BGO and Bulk Infra team up for \\$1 bln renewables-powered data centre | Reuters](#)

6 INDUSTRIALS

6.1 Introduction

In their 2024 sustainability reports, industrials entities were focused on addressing their scope 1 and 2 emissions, and developing strategic ways to indirectly reduce scope 3 emissions through their own operational processes.

While there are differences in short and medium-term targets, in the long-term, these entities generally have consistent goals of reaching net zero for scope 1, 2 and 3 emissions by 2050 or sooner. The industrials entities also aimed to accomplish this by employing similar strategies to achieve those goals, including transitioning to renewable energy, optimising operations to reduce fuel use, and engaging stakeholders in reduction efforts. They also support policy initiatives for sectoral decarbonisation, for example, by collaborating with government, business, and industry to develop sustainable emissions reductions solutions.

6.2 Structure of reporting and assurance

Each industrials entity incorporated some climate and sustainability metrics and information into their annual report. Some had also produced standalone sustainability reports, or sustainability reviews and plans.

Industrials entities obtain different forms of assurance over their climate reporting, for example:

- (a) reasonable assurance for scope 1 and 2 emissions;
- (b) limited assurance for sustainability information and materiality assessments;
- (c) limited assurance for environmental indicators, health and safety indicators, and environmental qualitative claims; and
- (d) limited assurance for supply chain impacts and collaboration initiatives.

6.3 Reducing emissions

Strategies deployed across this sector to meet emissions reduction targets included:

- (a) transitioning to 100% renewable energy;
- (b) collecting and analysing emissions data both internally and throughout the value chain;
- (c) reducing waste by adopting sustainable materials in production and customer service;

- (d) optimising designs and operations to decrease fuel consumption, such as optimising flight routes to reduce flight time, electrifying forklifts to eliminate the need for fuel, and designing roads to be flatter and less fuel-intensive; and
- (e) engaging with consumers/customers where possible to support reductions efforts, including engaging with customers and retailers for reuse of products, and to advocate for electric vehicles.

A high level timeline summarising targets of different entities in the sector is below:

YEAR	TARGET
2025	100% renewable electricity in operations
2027	Zero single-use plastics (excluding medical / safety items)
2030	Reduction of scope 1 and 2 emissions reduction ranging from 25% to 50% Reduction of scope 3 emissions ranging from 17% to 55%
2040 - 2050	Net zero emissions in operations and value chains Zero general waste to landfill by 2050 (with certain waste excluded)

6.4 Engaging stakeholders

Entities in the industrials sector also reported on the policy initiatives that they supported and those which they anticipated would support them in meeting their sector targets. These included:

- (a) engaging with regulators to advocate for sustainability-related legislative changes that support sectoral decarbonisation;
- (b) reiterating support for government initiatives including National Greenhouse and Energy Reporting, and the Safeguard Mechanism;

- (c) collaborating with government on industry initiatives, including road development and commercial-scale sustainable aviation fuel; and
- (d) contributing to discussions and strategies around climate response, including the Business Council of Australia's Net Zero Project 2035 and the Parliamentary Friends of Electric Vehicles and Future Fuels Transport.

6.5 Organisational structures and climate oversight

These entities also reported that they had embedded climate into their internal structures and systems. In particular, we observed:

- (a) an emphasis on the role of the audit and risk board committee in overseeing climate-related risks and opportunities;
- (b) in one case, an entity had established a board committee with responsibility for environmental matters, among other things;
- (c) 2/3 of the entities in this sector reported that they had a designated chief sustainability officer; and
- (d) 2/3 also reported that they had established management governance bodies to support the sustainability agenda, including one entity which had formalised a steering committee chaired by its chief financial officer to oversee its readiness for the upcoming mandatory reporting regime.

6.6 Emerging physical risks

Due to the nature of their businesses, entities in the industrials sector were especially aware of how physical climate-related risks would impact their business operations as part of their scenario analysis. While the impact of these risks varied, all identified the significant impact of weather activities on aspects of their businesses, including on:

- (a) operational efficiency;
- (b) the viability and safety of certain operations;
- (c) the ability and desire of customers to use certain products and services; and
- (d) prices across the supply chain.

6.7 Evaluating transitional risks and opportunities

Meanwhile, key themes of these entities' transition risk and opportunity analysis included the impact of evolving social, governmental, and stakeholder attitudes and responses to sustainability efforts, shifts in consumer behaviour and market disruptions. Some entities also identified risks associated with delayed or limited renewable supplies, technologies and markets, as well as rising costs of sustainable products and supplies.

Nonetheless, these entities also highlight the opportunities, such as:

- (a) strengthening partnerships with customers, communities, and the government;
- (b) leading in climate-risk management and exploring new market opportunities; and
- (c) enhancing resilience throughout the supply chain.

6.8 Investing in technology

Entities in this sector all highlighted steps they were taking to integrate technology to improve operational efficiency and bolster their climate resilience, including:

- (a) taking steps to enhance and integrate data technologies, including integrating AI, data simplification, and predictive analytics technologies into climate responses;
- (b) developing a decision support tool that allows the entity to define and test how much effort is required to reduce particular greenhouse gas emissions;
- (c) developing a tool to identify exposures that the entity's supply chain has to climate-related risks;
- (d) expanding predictive technologies and analytics to enhance safety and viability of operations, including supporting the use of emissions modelling tools; and
- (e) investing in new low-emission technologies as they become available that reduce fuel consumption and optimise services.

A SPOTLIGHT ON GREEN FINANCE AND FUNDING SOLUTIONS

Green finance and funding climate solutions are becoming a cornerstone of sustainability strategies in this sector.

One entity issued its inaugural green bond in FY23 to support the entity's circular business and sustainability agenda. Another established a climate fund to invest in innovative solutions in support of its climate targets.

This funding is crucial for driving large-scale sustainability projects and fostering innovation.

6.9 Considering nature

Entities in this sector have also begun to consider and integrate nature-related disclosures and targets as part of their climate strategies. This included, for example:

- (a) taking steps to begin publishing and reporting TNFD aligned disclosures;
- (b) considering issues of freshwater use, land use and pollution in operations; and
- (c) setting forest positive and waste positive targets as part of climate strategy.

6.10 Global developments

The industrials sector globally faces significant challenges in reducing its carbon footprint. Air freight operators globally, for example, have reportedly increased their greenhouse gas emissions by 25% compared with 2019, driven by increased flight volumes and changing consumer expectations for rapid delivery in the post-pandemic economy.³⁷ This highlights the need for comprehensive strategies to reduce emissions across the entire supply chain. Global responses have included entities such as DHL and Lindt & Sprüngli working together to reduce greenhouse gas emissions in ocean freight through the use of biofuels derived from waste and residues.³⁸ Similarly, Mercedes-Benz and Kuehne+Nagel have also partnered to use sustainable aviation fuel in air freight transport, saving approximately 11,000 tonnes of CO₂ emissions over the past year.³⁹

A number of investments have also been made into electrifying vehicle fleets and installing solar panels. One innovative example is in Buttes, Switzerland where Sun-Ways, in collaboration with Switzerland's Federal Office of Transport, Viteos and DG-Rail, is set to install a pilot solar project consisting of 48 removable solar panels between railway tracks.⁴⁰

6.11 What's next?

For future progress towards meeting sector-targets and reporting standards, entities in the industrials sector have flagged some of the following as priorities:

- (a) harnessing the power of data and digital insights to identify new sources of value;
- (b) simplifying technology and adaptation processes to make them more efficient and effective;
- (c) developing new technologies and ways of working to increase productivity and sustainability;
- (d) optimising processes to better reduce emissions;
- (e) identifying and investing in projects outside the industry;
- (f) accelerating uptake of lower carbon-materials, and continuing to develop sustainable fuels and resources; and
- (g) continued integration of climate into business operations.

³⁷ [Air freight greenhouse gas emissions up 25% since 2019, analysis finds | Greenhouse gas emissions | The Guardian](#)

³⁸ [DHL Global Forwarding Partners with Lindt & Sprüngli to Reduce Emissions in Ocean Freight](#)

³⁹ [Sustainable air freight: Kuehne+Nagel and Mercedes-Benz use sustainable aviation fuel in transport logistics](#)

⁴⁰ [Swiss pilot to install solar panels in-between railway tracks | RenewEconomy](#)

7 COMMUNICATION SERVICES AND INFORMATION TECHNOLOGY

7.1 Introduction

Entities in this sector typically have relatively lower levels of direct emissions. As a result, many entities reported that they were prioritising efforts to track and limit their indirect emissions.

However, scope 3 emissions remained difficult to accurately characterise, causing challenges in reporting and risking significant year-on-year changes to reported figures resulting from previously unreported emissions data. Entities within this sector remained vigilant to these issues and have increased their attempts to improve reporting accuracy by requiring substantial suppliers to disclose their emissions figures. This has allowed them to better identify high-risk suppliers and consider switching to more sustainable suppliers to reduce emissions.

Entities in this sector also continued to focus on educating and advising their consumers and suppliers on developing sustainable emissions practices and reducing their carbon footprint.

7.2 Reducing emissions

As mentioned, the focus amongst this sector is on reducing indirect emissions. That is because scope 3 emissions generally made up over 90% of total reported emissions for entities in this sector. Further, one entity reported that electricity consumption from their network, data centres, offices and other buildings accounts for around 96% of their total FY24 scope 1 and 2 emissions.

A number of entities have committed to implementing scope 1 and 2 emission reduction targets, in some cases in the very near term. For instance, one entity aims to reach net zero for scope 1 and 2 emissions by 2025, having successfully reduced their total emissions in these categories by 99% from 2022 to 2024. Another entity has committed to net zero scope 1 and 2 emissions by 2030. However, scope 3 emissions were not included in these net zero targets due to the difficulties in regulating emissions within their supply chain. By way of example, one entity had set a target to reduce its absolute scope 3 emissions by at least 50% by 2030 measured from 2019.

Since implementing their targets, many entities report having already made significant progress in reducing their emissions, whilst increasing the accuracy of their emissions data.

7.3 Meeting sector targets

Actions entities in the sector are taking to reduce their scope 1 and 2 emissions include vacating office tenancies and reducing the office footprint, while transitioning to sustainable energy powered office buildings when existing leases expire.

Although many entities do not have direct control over their scope 3 emissions, they have engaged collaboratively with suppliers to identify and reduce their emissions footprint. The last few years have seen a steady adoption of standardised climate change clauses in supplier arrangements, which require that suppliers track, report on and reduce their own emission impacts to support the entity's targets. For example, one entity has reported that at least 91 of its major suppliers are now regulated by its climate reporting clause, which requires the suppliers to report their emissions annually. This increased supplier reporting allows entities to more accurately capture their scope 3 emissions, and better identify and understand the emissions performance of their supply chain and any high-risk suppliers.

Some entities have also implemented a non-compliance monitoring scheme, where suppliers' failures to log their emissions are reviewed by the entity and considered for future supply agreements.

Entities with a large consumer emissions base have also created educational content to advise consumers on the adoption of sustainable options.

Lastly, some technology entities have a mandate of preferring sustainable suppliers where possible as part of their tender process.



7.4 Government policy advocacy

Entities in the sector advocate on climate matters directly and indirectly with the government, including:

- (a) bilateral engagement with regulators;
- (b) submitting responses on policy development in industry consultation;
- (c) contributing to policy work of industry groups; and
- (d) responding to regulatory initiatives, business developments and market practices.

7.5 Global developments

Whilst 2024 generally saw an increase in climate reporting globally, global behemoths Microsoft and X (formerly Twitter) were amongst more than 200 major companies delisted by the SBTi for failing to submit approved climate targets.⁴¹ These removals come as companies are increasingly reporting difficulties in measuring and producing tangible solutions to reducing scope 3 emissions.

However, we have also observed major global companies seeking to address and prepare for increases in future emissions, including in late 2024 when Google signed a deal to purchase energy from a fleet of mini nuclear reactors to generate the power needed for the rise in use of artificial intelligence.⁴²

7.6 What's next?

The communication services and information technology industry is focused on implementing the new mandatory climate reporting regime under the Australian Sustainability Reporting Standards, setting further scope 1, 2 and 3 financed emissions targets, progressing performance against existing targets and using technology to support climate reporting.

⁴¹ [Why SBTi Has Delisted More Than 200 High Profile Companies | Sustainability Magazine](#)

⁴² [Google to buy nuclear power for AI datacentres in 'world first' deal | Google | The Guardian](#)

8 HEALTHCARE

8.1 Introduction

While the healthcare sector aims to protect and improve health, it paradoxically is a significant emitter of greenhouse gases which can have detrimental consequences on health. The impacts of climate change have increased the number of deaths, disease and injury, and adversely impacted mental health and wellbeing.⁴³

It is estimated that the health system is responsible (either directly or indirectly) for 5% of Australia's greenhouse gas emissions, with clinical care contributing to over half of greenhouse gas emissions produced by health systems.⁴⁴

8.2 Reporting on emissions

Healthcare entities reported that they were taking steps to limit their greenhouse gas emissions, with some setting long term targets to achieve net zero emissions. For example:

- (a) one biotechnology entity reported a target to reduce 40% of its scope 1 and 2 emissions by 2030, against a baseline of its average annual emissions across fiscal years 2019-2021;
- (b) one medical device entity reported that it was aiming to have net-zero carbon emissions in its operations by 2030 and across its value chain by 2050;
- (c) one multinational provider of hospital and healthcare services reported that it was aiming to reduce its scope 1 and 2 emissions by 42% by 2030, against a 2020 baseline, and achieve net zero greenhouse gas emissions across its value chain by 2040; and
- (d) one medical diagnostic services provider reported that it was aiming to reduce its scope 1 and 2 greenhouse gas emissions by 43% by 30 June 2030 and achieve net zero by 30 June 2050.

The sustainability reports from these healthcare entities also reveal that they are generally on track to reach their long-term emissions targets. For example, one entity has reduced its scope 1 and 2 emissions by 70% from its 2019 baseline, primarily through the increased use of renewable energy at its manufacturing sites.

Others have similarly reported a decrease in greenhouse gas emissions against their baselines. Only one of the healthcare entities reviewed reported an increase in its scope 1 and scope 2 emissions for 2023/24 - this was due to a change in methodology which meant that more accurate data was available.

8.3 Reducing emissions

Steps that healthcare entities disclosed they were taking to reduce their greenhouse gas emissions included:

- (a) transitioning manufacturing sites to renewable energy;
- (b) reducing the number of flights taken per employee;
- (c) using environmentally friendly anaesthetic gases;
- (d) including sustainability criteria in all new procurement contracts;
- (e) investing in energy efficiency projects, such as lower energy lighting and heating and cooling upgrades;
- (f) investing in onsite renewable energy and storage;
- (g) converting their global fleet to hybrid and zero-emission vehicles;
- (h) reducing, recycling and reusing waste from operations; and
- (i) focusing on understanding, measuring and managing material scope 3 emissions, recognising that these are often the largest source of greenhouse gas emissions for organisations (with one entity reporting that more than 75% of their total emissions in 2024 were attributable to scope 3).

⁴³ [Australian Government – Department of Health and Aged Care, National Health and Climate Strategy](#)

⁴⁴ [Australian Commission on Safety and Quality in Health Care, Joint Statement on Climate Change and Health](#)

KEY CONTACTS

8.4 Global developments

In 2024, Australia, the United States and the United Kingdom jointly signed a public statement committing to collaborate on healthcare procurement requirements and the decarbonisation of global healthcare supply chains.⁴⁵ Much of these carbon emissions may be attributed to manufacturing operations and supply chains. However, it is also recognised that this sector generates significant amounts of unrecycled waste through single-use disposal products and packaging.

As a result, healthcare entities and their key stakeholders globally are also focussed on their ESG commitments, with particular attention being paid to reducing carbon emissions and waste. Initiatives such as the Collective Healthcare Action to Reduce MedTech Emissions (CHARME) project aim to decarbonise the healthcare supply chain by bringing together leading organisations in a coordinated effort to mitigate the environmental footprint of this sector.⁴⁶ Meanwhile, a number of major global entities in this sector have adopted and published climate-related targets, including Medtronic which has committed to achieving net zero by 2045.⁴⁷

8.5 What's next?

We expect that healthcare entities will continue to set and pursue ambitious sustainability targets while harnessing opportunities to increase renewable energy, energy-efficient technologies, and sustainable practices across their operations and supply chains. Additionally, we expect further emphasis on collaboration with global partners to decarbonise healthcare procurement and supply chains, as well as a commitment to reducing waste through innovative solutions.

An important aspect of this sustainability journey is the focus on plastics in healthcare products. These products are now on the Minister's 2023-24 priority list for product stewardship, highlighting the need for responsible management and reduction of plastic waste in hospitals. See our recent article here for more information: [Product stewardship schemes – write your own rules before they're written for you.](#)

⁴⁵ [Australia joins US and UK statement on decarbonising healthcare | Health Portfolio Ministers | Australian Government Department of Health and Aged Care](#)
⁴⁶ [CHARME Launches to Tackle Healthcare's Carbon Footprint - Environment+Energy Leader](#)
⁴⁷ [Reducing Our Carbon Footprint | Medtronic](#)



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