

# From pledges to pathways: The Australian leadership opportunity

With climate disclosures now mandatory in Australia, and strong global momentum towards the green transition, Australian business has an opportunity to drive global climate finance and transition pathways. Research commissioned by the UN Global Compact Network Australia and completed by Canbury indicates that capital allocation, value-chain integration, and commitments and ambition lag behind global 1.5°C expectations. However, there is an opportunity for companies to capture a competitive advantage by driving the goals of the Paris Agreement and targets for the Kunming-Montreal Global Biodiversity Framework (GBF). This research outlines why Australia is positioned to lead, benchmarking of Australian businesses, the international benchmark and key actions to progress the green transition.

## 1. The Australian advantage: positioned to lead

Globally, sustainability commitments are subject to increased scrutiny. However, across Asia-Pacific, momentum is accelerating, and there are a number of factors that point to Australia's opportunity as the Asia-Pacific hub for climate finance and credible transition execution, including: a \$4 trillion superannuation system, a AAA sovereign credit rating, deep capabilities in critical minerals and renewable resources, and a cohort of companies already publishing transition plans. Australia has a unique opportunity to demonstrate leadership and capture value.

The business case is compelling. Companies with validated, 1.5°C-aligned pathways and clear capital alignment, benefit from lower cost of capital, strong investor demand, and more resilient supply chains. Early movers are already differentiating through Transition Plan Taskforce (TPT)-aligned transition plans, value-chain decarbonisation, and executive incentives tied to climate outcomes. The next 12 months provides a window to turn pledges into pathways, and pathways into performance.

## 2. The reality check: benchmarking Australian business

Based on 19 indicators (see Appendix for complete list) across 40 Australian organisations, momentum is real - but uneven and insufficient for a 1.5°C trajectory.

### Good news

Australian companies are building solid governance and transition foundations:

- 83% have board-level climate oversight; 43% link executive pay to climate key performance indicators (KPIs).
- 70% have some form of net zero target; 55% have published a transition plan (80% of those were at least partially TPT-aligned).
- 65% disclose nature-related activities; 45% already extend board oversight to nature.

### Key gaps

Credibility and coverage remain limited:

- Only 32% commit to net zero by 2050 across all scopes, just 8% have a 1.5°C-aligned 2030 target, and only 12% have validated targets.
- Scope 3 gap: while 73% report Scope 1 and 58% Scope 2, only 25% fully report Scope 3; only 12% include it in targets (40% include some Scope 3 emissions but not all).

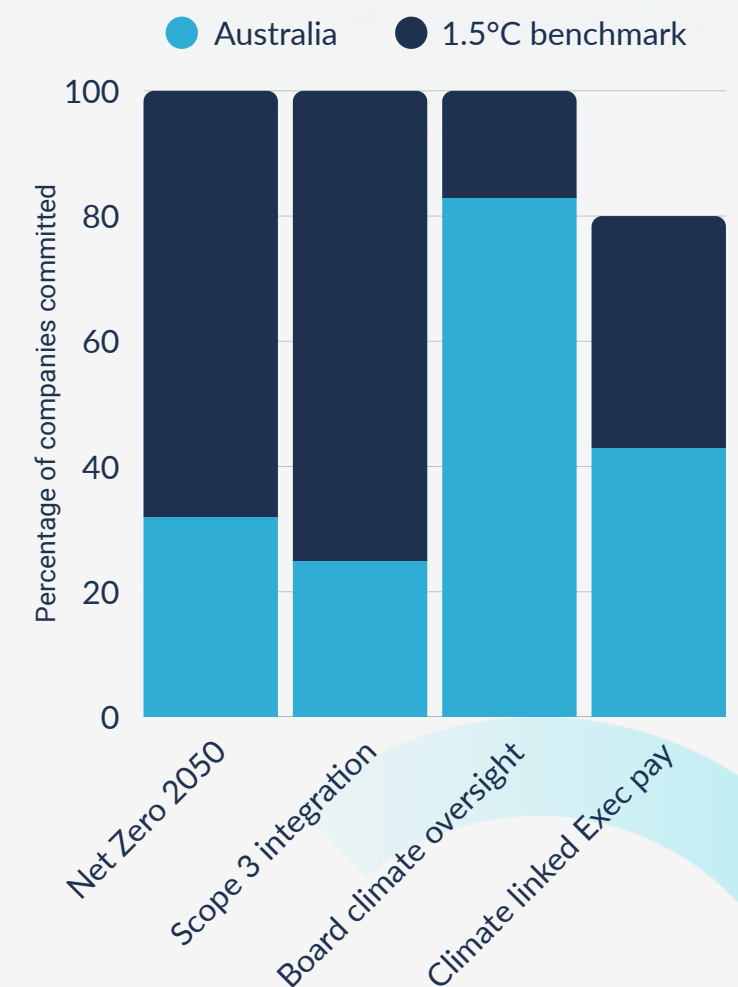
- Capital misalignment: only 12% disclose low carbon capital expenditure (CapEx) alignment, ranging from ~2-20%; just 5% of asset owners/managers disclose the proportion of Assets Under Management (AUM) covered by credible transition plans.
- Nature-related disclosures are limited: only 20% reference the Taskforce on Nature-related Financial Disclosures (TNFD), and no companies demonstrated full alignment with TNFD.

### Opportunity

Closing these gaps would position Australian leaders in the global top quartile:

- 1.5°C benchmark: organisations should have validated, all-scope net zero targets by COP31.
- Transition & finance alignment: expand disclosure of CapEx and AUM coverage to demonstrate credible capital pathways.
- Nature integration: build on existing board oversight to move from activity-based disclosure to TNFD-aligned strategy.

## Australia vs 1.5°C Benchmark



### 3. International benchmark

Global best practice on climate transition is typically defined by the:

- International Sustainability Standards Board's (ISSB) International Financial Reporting Standards Sustainability 2 (IFRS S2) (climate disclosure, including financed emissions and portfolio alignment metrics);
- European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) (mandatory transition plans including Scope 3);
- The UK's 'gold standard' TPT (credible, investable transition plans); and
- An increasing number of companies seek Science-based Targets Initiative (SBTi) validation of targets (97% increase in the number of near-term targets set in the past 18 months).

Together, these frameworks establish the global standard: organisations validate net zero targets across all scopes, 1.5°C-aligned 2030 milestones, Scope 3 integration, disclosure of annual reduction rates, and reporting on portfolio alignment.

### 4. Key actions to progress the green transition

*Priority 1: Target credibility (all companies)*

- Set and disclose a 1.5°C aligned 2030 target; commit to net zero by 2050 or earlier across all material scopes.
- Seek external validation (e.g.: SBTi); disclose your annual reduction rate vs. a 1.5°C pathway.

*Priority 2: Value chain integration (high impact sectors and financiers)*

- Measure and progressively expand reporting of Scope 3 emissions; include material categories in interim and long-term targets.
- For asset owners/managers: disclose the percentage of AUM covered by credible transition plans and your roadmap to expand coverage.

*Priority 3: Capital alignment and accountability*

- Start disclosing the percentage of CapEx (and, for financiers, the percentage of financing) aligned to low carbon activities starting with an estimate and set a glide path toward >40% by 2030 where material.
- Link >20% of executive variable pay to climate KPIs tied to 2030 milestones and institute quarterly board reviews of progress.

*Priority 4: Transition plans and nature integration*

- Publish or upgrade to a TPT-aligned transition plan, even if partial, and signal a roadmap to full coverage (strategy, CapEx/finance, implementation milestones, metrics, and governance).
- Set measurable nature targets for metrics most material to your business (e.g.: water use for resources, biodiversity for land-intensive sectors). Use TNFD as the reference framework and outline how you will build towards full disclosure.

### 5. The bottom line

Australia has the capacity to lead with capital depth, sector strengths, and growing governance maturity. However, credibility is judged on execution, which includes the delivery and validation of 1.5°C aligned 2030 targets, Scope 3 integration, capital alignment, and nature strategy. Australian companies that move first can capture lower financing costs, investor preference, and supply chain resilience - and drive global climate finance and transition pathways.

### About Canbury

Canbury is a technology-enabled sustainability consultancy applying AI tools to thoroughly, effectively and cost-efficiently deliver reporting, research, data and training. Canbury combines global expertise and local delivery to support Australian organisations to find value in sustainability. For more information, visit [canbury.io](https://canbury.io).

### About UN Global Compact Network Australia

As a special initiative of the UN Secretary-General, the United Nations (UN) Global Compact is a call to companies everywhere to align their operations and strategies with ten universal principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals. In Australia, UN Global Compact Network Australia brings together nearly 400 Australian participating organisations, including over 80 ASX-listed companies, other businesses, non-profits and universities, to advance the private sector's contribution to sustainable development. We connect, enable and lead businesses and stakeholders to create a sustainable future by supporting businesses to act responsibly and helping them find opportunities to drive positive business outcomes.

For more information, visit: [www.unglobalcompact.org.au](https://www.unglobalcompact.org.au).

# Appendix

- Methodology:**
- Sample selection: We ranked the ASX200 companies on market cap and then selected companies at fixed intervals, weighting by sector to create a representative sample of 30. We then selected 5 super funds and 5 other investors as representative samples based on AUM, drawn randomly from tiered size categories to ensure representativeness.
  - Analysis: We identified and analysed publicly available (as of August 2025) annual and climate reports released by selected organisations, using a combination of both Google Gemini 2.5 Pro and human review to identify their alignment with chosen indicators.

**Full data set:**

Question topic	Yes	No	Partial	Further information
Climate Targets & Ambition				
Has a net-zero target	28 (70%)	12 (30%)		
Committed to net-zero by 2050 or earlier Yes = all scopes Partial = some scopes	13 (32%)	19 (48%)	8 (20%)	
Has 1.5°C-aligned 2030 target	3 (8%)	17 (42%)	20 (50%)	
Targets validated by a recognised standard	5 (12%)	35 (88%)		
AUM covered by a credible portfolio transition plan	2 (5%)	38 (95%)		Only two companies reported credible portfolio transition plans covering a portion of their AUM: ~73 % of Funds Under Management (FUM) and ~48 % of AUM.
Percentage of capital expenditure aligned with low-carbon projects		35 (88%)	5 (12%)	Most organisations do not report the proportion of CapEx allocated to low-carbon projects or provide insufficient detail to calculate it. A few companies disclose enough data to estimate a percentage (e.g.: around 2% to nearly 20 % of CapEx).
Current annual emissions-reduction rate		10 (25%)	30 (75%)	Only a small number of companies report quantifiable annual reduction rates. The disclosed rates range widely from 1.6 % reduction in absolute Scope 1 & 2 emissions up to 26 % reduction in net Scope 1 & 2 emissions.

Question topic	Yes	No	Partial
Emissions Reporting & Scope			
Reports Scope 1 emissions	29 (73%)	8 (20%)	3 (8%)
Reports Scope 2 emissions	23 (58%)	8 (20%)	9 (23%)
Reports Scope 3 emissions	10 (25%)	12 (30%)	18 (45%)
Includes Scope 3 in climate targets	5 (12%)	19 (48%)	16 (40%)
Strategy and Governance			
Published a transition plan	22 (55%)	10 (25%)	8 (20%)
Transition plan aligns with TPT framework	8 (20%)	8 (20%)	24 (60%)
Links executive pay to climate KPIs	17 (43%)	23 (57%)	
Board-level oversight of climate	33 (83%)	7 (17%)	

Question topic	Yes	No	Partial
Nature Related Disclosures			
Board-level oversight of Nature	18 (45%)	22 (55%)	
Transition plan includes nature activities	12 (30%)	24 (60%)	4 (10%)
Discloses other nature activities / targets	26 (65%)	14 (35%)	
Disclosure refers to TNFD	8 (20%)	32 (80%)	