



THE GREAT ESG DIVIDE

***WHO'S WALKING THE TALK IN
THE ASX 1000***

DR KAUSHIK SRIDHAR
FOUNDER & CEO
ORKA ADVISORY

Foreword

“ *This moment represents more than regulatory compliance; it is a call to action for businesses to embed ESG into their long-term value creation strategies.*

Dr Kaushik Sridhar

Founder & CEO, Orka Advisory

The **ESG landscape** in **Australia** is at a **turning point**. As regulatory pressures intensify and investor expectations evolve, businesses are recognising that ESG is **no longer an optional add-on**; it is a **fundamental driver of long-term value creation**.

The introduction of **AASB S2 mandatory climate reporting** in **2025** presents a **dual reality**: a **challenge** for those still catching up and an **opportunity** for companies looking to lead in sustainable business transformation.

Our research examines the **ESG maturity of ASX1000 companies**, highlighting **clear gaps** in **governance**, **climate risk management**, **reporting practices**, and **stakeholder engagement**.

The data confirms what many in the sustainability field have long suspected:

- **Large-cap companies** are leading the way, yet only **12% have adopted double materiality**, meaning most focus on financial impact rather than their broader environmental and social impact.
- **Mid- and small-cap companies** continue to struggle with ESG integration, with only **17% having structured greenhouse gas (GHG) accounting models** and even fewer obtaining third-party assurance of their sustainability claims.
- **Stakeholder engagement** remains a critical weak spot, with just **30% of ASX 1000 companies** having formalised engagement plans, leaving many businesses exposed to reputational and regulatory risks.

These findings underscore an urgent need for Australian businesses to move **beyond compliance** and **integrate ESG** into core business strategies. Companies that treat ESG as a strategic advantage rather than a reporting obligation will emerge stronger, more resilient, and better positioned for future growth.

We hope this report serves as a **catalyst for action**, empowering organisations to enhance their ESG strategies, **foster resilience**, and drive **meaningful impact** in a rapidly evolving landscape.

Dr Kaushik Sridhar

Founder & CEO

Orka Advisory

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Introduction

Mandatory sustainability reporting is on the horizon for Australian businesses.

The phased implementation of the AASB Sustainability Standards, particularly the mandatory climate-related disclosures under AASB S2, signals a transformative shift in corporate governance and accountability.

This report, based on Orka Advisory's analysis of ESG practices across the ASX1000, offers key insights into how companies are preparing for this new era.

Our research highlights that while large-cap companies demonstrate strong ESG frameworks and proactive climate risk disclosures, **mid-cap and small-cap companies** face challenges in areas such as materiality assessments, governance structures, and stakeholder engagement.

The upcoming regulatory changes provide both a challenge and an opportunity; **a chance to embed ESG into core business strategies rather than viewing it as a compliance exercise.**

As Australian organisations gear up for 2025 and beyond, this report aims to support leaders in navigating the evolving ESG landscape.

Whether preparing for regulatory requirements or striving to create long-term value for stakeholders, **businesses that embrace ESG as a strategic priority will be better positioned for sustainable growth and resilience.**

Executive Summary

Strategy

53%

of ASX1000 companies have **comprehensive ESG frameworks**

32%

of ASX1000 companies have **completed materiality assessments**

67%

of **large-cap companies** are **signatory** to at least **one global ESG initiative**

Governance

35%

of ASX1000 companies' Boards have **formal accountability on ESG**

22%

of ASX1000 companies have **dedicated Sustainability / ESG Board sub-committees**

17%

of ASX1000 companies have a **Chief Sustainability Officer or similar role**

Reporting

30%

of ASX1000 companies publish **standalone Sustainability Reports**

76%

of ASX1000 companies do not mention **Sustainability** in their **Annual Reports**

17%

of ASX1000 companies receive **third-party assurance on ESG data**

Climate

24%

of ASX1000 companies have conducted **scenario analysis**

17%

of ASX1000 companies have **GHG accounting practices** and **validated climate targets**

26%

of ASX1000 companies **prioritise climate risks** in **governance frameworks**

The findings of Orka Advisory's research indicate five major trends:

1

ESG Reporting is Becoming BAU for Large- and Mid-Caps

Both sustainability reporting and ESG disclosures are now standard practices, with over **78%** of **large- and mid-cap** companies **regularly publishing sustainability reports aligned with global frameworks.**

2

Climate Strategies Are Slowly Gaining Momentum

26% of companies have set **clear, measurable climate objectives**, driven primarily by **large-cap companies** leading the way on **net-zero commitments.**

3

Governance Gaps Persist in Mid- and Small-Cap Companies

While large-cap companies showcase **stronger ESG governance structures**, only **22%** of **ASX1000** companies have **dedicated ESG Board sub-committees**, exposing a significant oversight gap.

4

Limited Adoption of Materiality Assessments

68% of ASX1000 companies have **not fully completed a formal materiality assessment**, indicating a **disconnect** with global sustainability standards and emerging regulatory requirements.

5

Stakeholder Engagement Remains Underdeveloped

Only **30%** of ASX1000 companies have **formal stakeholder engagement plans**, limiting the other **70%** of companies' ability to **integrate stakeholder perspectives into ESG decision-making.**

Methodology

This report is based on a comprehensive analysis of ESG practices across ASX1000 companies, leveraging publicly available data to assess **ESG performance, governance structures, and climate-related disclosures**. The methodology is designed to ensure **consistency, accuracy, and relevance** in **evaluating ESG trends** within the Australian corporate landscape.

1. Selection and Definition of Metrics

- Key ESG metrics were identified based on globally recognised standards, including **ESG governance frameworks, climate reporting requirements, stakeholder engagement, and best-practice sustainability reporting practices**.

2. Compilation of ASX1000 Companies

- A complete list of **ASX1000 companies** was compiled, categorised by **industry and company size (large-cap, mid-cap, small-cap)** to enable meaningful comparative analysis across sectors.

3. Data Collection

- Data was sourced from **publicly available documents** such as **annual reports, sustainability and climate reports, governance statements, and corporate websites**.
- This approach ensured **comprehensive coverage of ESG disclosures** for each company.

4. Qualitative to Quantitative Data

- Qualitative information was standardised into **measurable data points**.
- ESG practices were quantified through **percentages and comparative metrics** to evaluate **adoption rates** across the **ASX1000**.

5. Validation and Analysis of Findings

- Data was cross-validated for **accuracy**, ensuring **consistency** across industries.
- Key trends were identified through **quantitative analysis**, focusing on **ESG leadership, governance gaps, climate risk integration, and regulatory readiness**.

Methodology

To provide a structured and comparative analysis of ESG adoption across the ASX1000, this report segments companies into three categories: **Large-Cap, Mid-Cap, and Small-Cap.**

- **Large-Cap Companies (5%):** Represent the most established companies with **robust ESG frameworks, significant regulatory exposure, and greater stakeholder expectations.**
- **Mid-Cap Companies (12%):** Often in transition, these companies exhibit **mixed ESG maturity; some aligning with global standards, while others struggle with governance and compliance integration.**
- **Small-Cap Companies (83%):** The **majority** of ASX1000 companies fall into this category, yet they show the **lowest levels of ESG adoption, with significant gaps in climate risk management, governance structures, and reporting.**

Company Size*	No. of Companies	% of Total
Large-Cap	51	5%
Mid-Cap	121	12%
Small-Cap	828	83%

* Large-Cap: \$10 billion +
Mid-Cap: \$2 billion - \$10 billion
Small-Cap: < \$2 billion

Glossary

AASB	Australian Accounting Standards Board
ASRS	Australian Sustainability Reporting Standards
ASX	Australian Securities Exchange
CSO	Chief Sustainability Officer
DEI	Diversity, Equity, and Inclusion
ESG	Environmental, Social, and Governance
GRI	Global Reporting Initiative
GHG	Greenhouse Gas
HSE	Health, Safety, and Environment
ISSB	International Sustainability Standards Board
MSCI	Morgan Stanley Capital International (used for ESG ratings)
S&P	Standard & Poor's (ESG ratings agency)
SBTi	Science-Based Targets Initiative
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
UNGC	United Nations Global Compact
UNSDG	United Nations Sustainable Development Goals



OVERALL

Overall Results

The **ASX1000 companies** achieved a **cumulative ESG score** of **2.4** out of **10**, highlighting significant room for improvement in ESG practices across industries.

This score is based on an evaluation of **four key ESG pillars: Strategy, Governance, Reporting and Climate** consolidating multiple ESG metrics to provide a **comprehensive view of corporate performance**.



ASX 1000

Rating on a 10-Point Scale with 1 being 'poor performance' and 10 being 'best performance'

Large-cap companies outperform their mid- and small-cap counterparts, achieving an average score of **7.1**. Their superior performance is largely attributed to more **robust governance structures, well-defined climate strategies, and comprehensive ESG reporting practices**.

Mid-cap companies show moderate progress with a score of **6.2**, reflecting inconsistencies in **materiality assessments and stakeholder engagement**.

Small-cap companies lag significantly with an average score of **1.5**, underlining gaps in **ESG integration, governance oversight, and climate-related disclosures**.



Large-cap companies



Mid-cap companies



Small-cap companies

*Rating on a 10-Point Scale

Results by Category

The **ASX1000** companies were rated* across the four **ESG pillars** to provide a **comprehensive view** of their **ESG maturity**.

Strategy



Companies perform relatively **better** in **Strategy**, indicating a **growing awareness of the importance of ESG integration within corporate objectives**.

However, gaps remain in translating these strategies into **actionable, measurable outcomes**, particularly among **mid- and small-cap companies**.

Governance



Governance structures show **moderate progress**, particularly in **large-cap companies** with established **ESG Board-sub committees**.

Nonetheless, **ESG oversight at the board level** and **integration into risk management processes** need **significant improvement** across the index.

Reporting



Reporting is the **weakest pillar**, reflecting **inconsistent disclosure practices** and a **lack of standardisation in ESG metrics**.

Many companies fail to meet best practices in **transparency**, with **small-cap companies particularly struggling to align with global reporting frameworks**.

Climate



Climate-related performance highlights **modest progress**, with companies making efforts to **address climate risks** and **set emission reduction targets**.

Despite this, climate action remains **inconsistent**, with **limited adoption of science-based targets** and **climate risk disclosures**.



STRATEGY

Results

Our analysis of ASX 1000 companies resulted in an overall ESG strategy score of **3** out of **10**, reflecting performance across key areas such as **transparency, materiality assessments, compliance with global frameworks, and employee training programs**. This score highlights the need for **stronger ESG alignment with stakeholder expectations** to drive **long-term sustainable value creation**.



ASX 1000

Rating on a 10-Point Scale

Performance by Company Size

Large-cap companies outperform their mid- and small-cap counterparts, achieving an average score of **8**. Their increased performance is largely attributed to established **ESG governance frameworks, robust climate action plans, and comprehensive ESG reporting mechanisms**.

Mid-cap companies demonstrate moderate ESG progress, with an average score of **7**, reflecting inconsistencies in **ESG materiality assessments and stakeholder engagement efforts**.

Small-cap companies lag significantly, with an average score of **2**, underlining gaps in **ESG integration, governance oversight, and climate-related disclosures**.



Large-cap companies



Mid-cap companies



Small-cap companies

*Rating on a 10-Point Scale

Enhancing ESG Transparency

A publicly available **ESG strategy** or **roadmap** is essential for demonstrating a company's commitment to **sustainability, accountability, and transparency**. It provides stakeholders, including **investors, customers, employees, and communities**, with a clear understanding of the company's **priorities, goals, and progress** in addressing **environmental, social, and governance challenges**.

Key Challenges

- Many companies mistakenly equate **environmental compliance** with an **ESG strategy**, failing to distinguish between **reactive** legal adherence and **proactive, goal-driven** sustainability efforts.
- A **truly effective ESG strategy** goes **beyond compliance** to address broader **environmental, social, and governance priorities, ensuring long-term impact and value creation**.

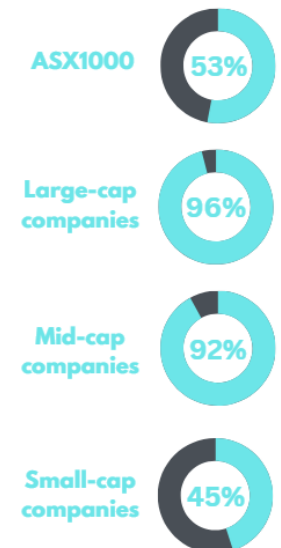
Performance by Company Size

Large-cap companies: 96% have a publicly available ESG strategy / framework, demonstrating **strong commitment to transparency**.

Mid-cap companies: 92% have a published ESG strategy / framework, reflecting a **solid but slightly less consistent approach**.

Small-cap companies: Only 45% have disclosed an ESG strategy / framework, highlighting a **significant gap in transparency and stakeholder communication**.

% of Companies with an ESG Strategy / Framework



Materiality Assessment

A **materiality assessment** is a critical tool for **ESG strategy development**, helping companies **identify** and **prioritise** the **environmental, social, and governance** issues most relevant to their **business** and **stakeholders**. By conducting these assessments, companies can align their ESG focus with **strategic objectives**, ensuring they address the most **material risks** and **opportunities**.

Understanding Materiality

Single materiality considers only the **financial relevance** of ESG issues, focusing on investor and internal decision-making priorities.

Double materiality evaluates ESG issues from **two perspectives**: their **financial impact** on the company and their **societal and environmental impact** on stakeholders.

Performance by Company Size

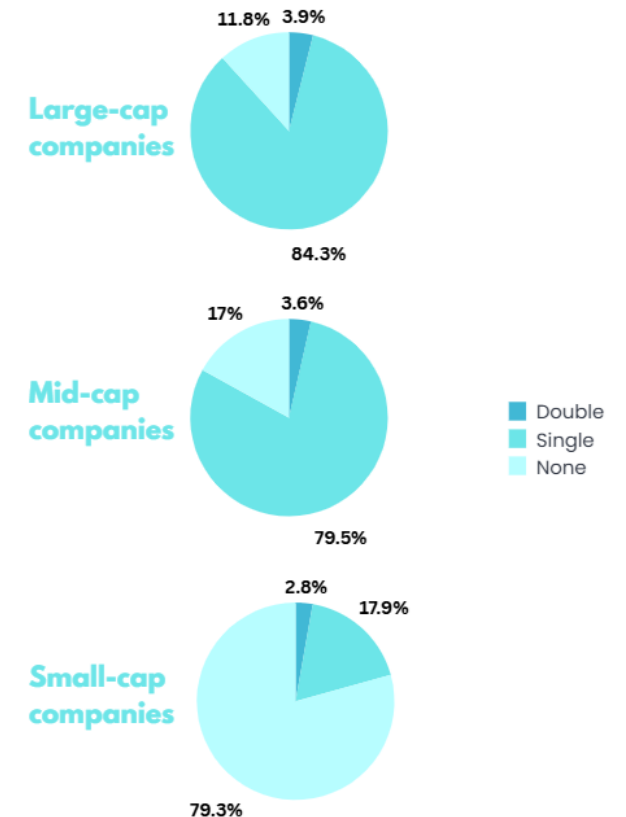
32% of the **ASX1000** have completed a **materiality assessment**.

Large-cap companies show **robust engagement** with materiality assessments, yet only **12%** adopt the more **comprehensive double materiality approach**, while **84%** rely on **single materiality**.

Mid-cap companies demonstrate a similar trend, with **79%** conducting **single materiality assessments**, and just **4%** adopting **double materiality**.

Small-cap companies lag significantly, with only **~20%** conducting **any form of materiality assessment**.

% of Companies doing Materiality Assessments



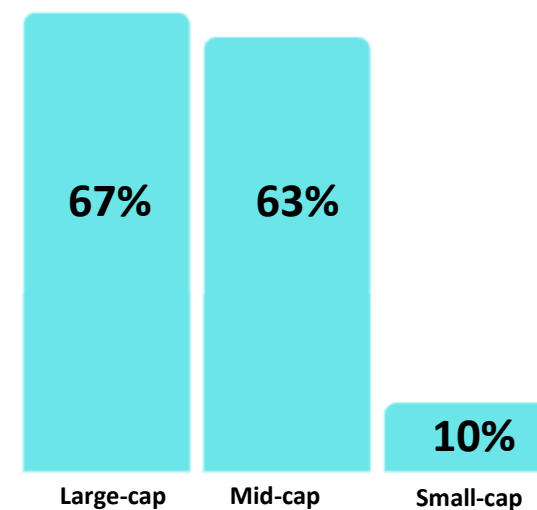
Corporate Sustainability Commitments

Sustainability initiatives such as the **UN Global Compact (UNGC)** and the **Science-Based Targets Initiative (SBTi)** play a crucial role in **strengthening ESG strategies, enhancing stakeholder trust, and positioning companies as leaders in global sustainability efforts.** By **committing** to these frameworks, **companies align their operations with international standards, contributing to long-term resilience and value creation.**

Key Insights

- **19%** of the **ASX 1000 companies** are signatories to at least **1 global sustainability initiative.**
- **Large-cap (67%)** and **mid-cap (63%) companies** demonstrate significantly **higher engagement in global sustainability initiatives,** whereas only **10%** of **small-cap companies** have made similar commitments.
- **27%** of **ASX 1000 companies** have published **net-zero targets,** though many haven't set specific reduction goals across Scope 3 emissions.

ASX 1000 Companies that are signatory to at least 1 global sustainability initiative



Key Takeaways

Enhance ESG Strategy Integration

- Companies must go beyond compliance and integrate environmental, social, and governance (ESG) factors into core business operations to meet stakeholder expectations and drive long-term value.

Conduct Comprehensive Materiality Assessments

- While large- and mid-cap companies conduct single materiality assessments, only a small percentage incorporate double materiality, a crucial step for aligning financial and ESG impacts with strategic decision-making.

Commit to Global Sustainability Initiatives

- Despite the importance of frameworks like the UN Global Compact (UNGC) and Science-Based Targets Initiative (SBTi), participation remains low, especially among small-cap companies.

Drive ESG Action Beyond Compliance

- Many companies misinterpret ESG as mere legal compliance, failing to recognise the broader value of proactive sustainability initiatives, stakeholder engagement, and strategic ESG roadmaps.



GOVERNANCE

Results

Governance plays a critical role in **aligning environmental and social priorities with business strategy, mitigating risks, and driving investor confidence**. However, our analysis of ASX 1000 companies reveals an average **governance score of 2.5** out of **10**, indicating **significant gaps in governance structures, regulatory compliance, and risk management**. This underscores the need for **enhanced governance practices to minimise reputational risks and regulatory scrutiny**.



ASX 1000

Rating on a 10-Point Scale

Performance by Company Size

Large-cap companies demonstrate **strong governance practices**, achieving an average score of **8**. Their high performance is attributed to **established governance frameworks, rigorous compliance mechanisms, and proactive risk management strategies**.

Mid-cap companies show **moderate governance performance**, with an average score of **6**. These companies often face **challenges in standardising governance processes, ensuring board diversity, and maintaining stakeholder transparency**.

Small-cap companies significantly lag behind, scoring **2**, due to **limited governance oversight, lack of formal ESG policies, and minimal regulatory alignment**.

Additionally, **20% of large-cap and mid-cap companies** have faced **ESG-related controversies**, primarily due to **reputational risks and public scrutiny, highlighting the need for stronger governance frameworks and ethical leadership**.

Large-cap companies



Mid-cap companies



Small-cap companies



Enhancing ESG Leadership and Accountability

A strong ESG leadership structure is critical for ensuring **accountability**, **aligning ESG goals with business strategy**, and **fostering regulatory compliance**. Companies with **Board-driven ESG leadership** are **better positioned to manage ESG risks**, **build stakeholder trust**, and **drive long-term value creation**.



22% of ASX 1000 companies have a dedicated ESG / Sustainability committee



17% of ASX 1000 companies have a Chief Sustainability Officer or equivalent role



35% Boards (of the ASX 1000 companies) have formal responsibilities for ESG

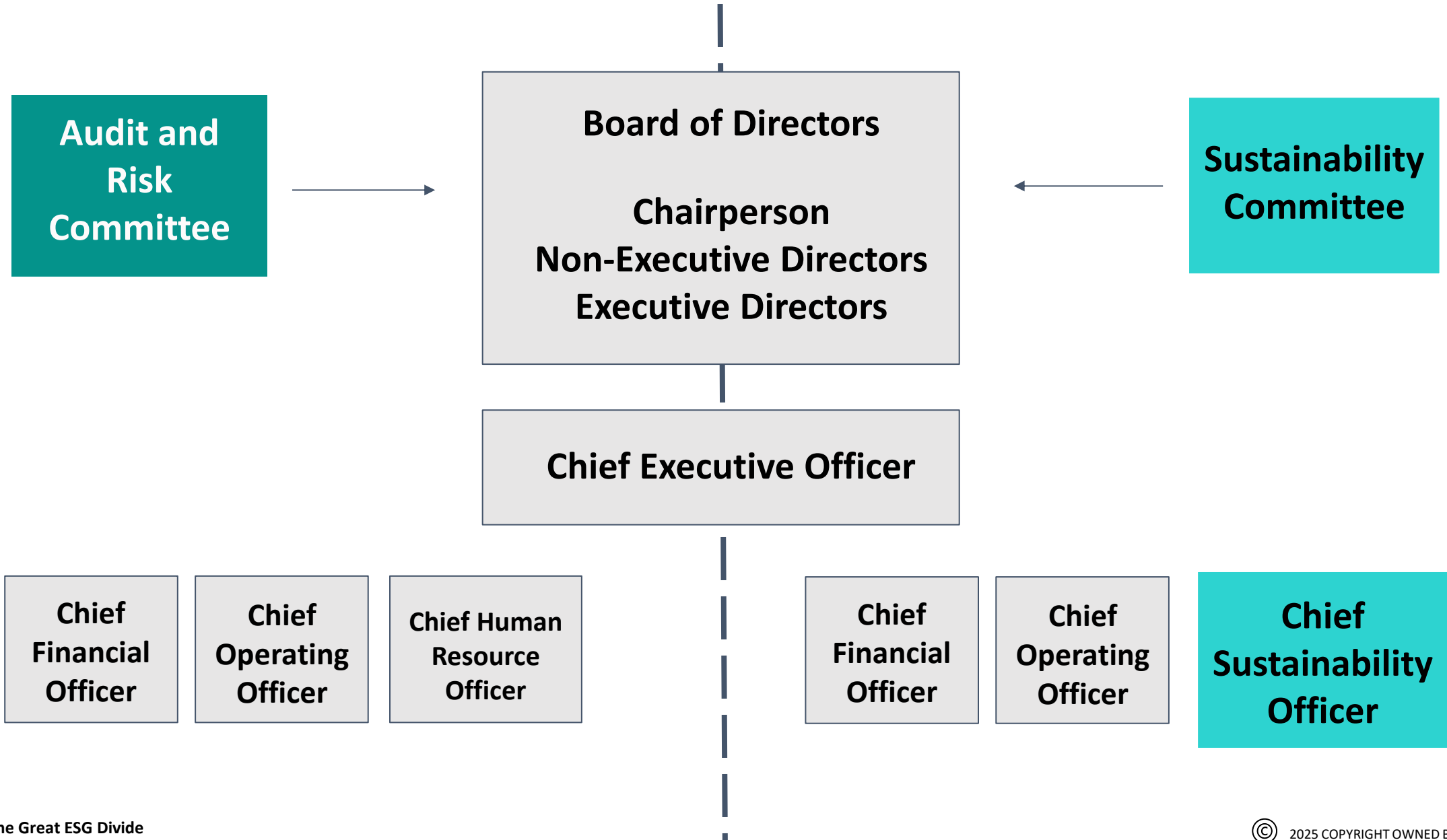
Opportunities for Improvement

- **Strengthening ESG governance** at the board level to enhance strategic oversight.
- **Increasing the adoption of dedicated ESG committees** and sustainability leadership roles across all market segments.
- **Embedding ESG accountability into core decision-making processes** rather than siloed initiatives.

Existing ESG Governance

Shifting from Risk-Based ESG Governance to Strategic ESG Leadership

Expected ESG Governance



Enhancing ESG Capabilities

A strong ESG strategy requires **continuous education** and **capacity-building** to ensure employees understand ESG principles and integrate them into business operations. Sustainability training enhances **environmental responsibility, social awareness, and governance practices, equipping organisations with the tools to drive meaningful impact.**

Key Insights

- **Mid- and large-cap companies** are embedding sustainability education into their workforce, while **small-cap companies lag in ESG-focused training.**
- **Expanding training programs to include broader ESG themes will be critical for fostering long-term sustainability leadership.**

Performance by Company Size

76% of **large-cap companies** offer **structured sustainability training**, covering ESG principles and implementation.

87% of **mid-cap companies** provide **some level of sustainability training**, though the depth and breadth of topics vary.

Only **17%** of **small-cap companies** conduct **sustainability training**, with most focusing primarily on compliance-related topics like **DEI** and **HSE**, rather than **holistic ESG education.**

% of Companies offering Sustainability / ESG Training



Key Takeaways

Embed ESG Accountability at the Board Level

- Only 35% of ASX 1000 companies have ESG responsibilities assigned at the board level.
- Establishing board oversight for sustainability ensures ESG initiatives are embedded into strategic decision-making.

Avoid ESG Fragmentation

- Mid-cap and small-cap companies often assign ESG responsibilities to broader risk and audit committees instead of dedicated ESG teams.
- A structured governance approach is essential for measuring impact and ensuring compliance.

Drive Long-Term Value Through ESG Leadership

- Companies with robust ESG leadership, including dedicated committees, sustainability officers, and governance oversight, achieve better ESG outcomes.
- Investing in sustainability leadership accelerates ESG maturity and corporate resilience.

Prioritise Comprehensive ESG Training

- While mid- and large-cap companies offer structured sustainability training, small-cap companies primarily focus on compliance topics like DEI and HSE.
- Expanding ESG-specific training can enhance employee engagement and operational integration.

Mitigate ESG Controversies Through Stronger Policies

- Around 20% of large and mid-cap companies face ESG controversies due to reputational risks and governance gaps.
- Strengthening ESG policies and proactive stakeholder engagement can help build investor confidence.



REPORTING

Results

A strong ESG reporting framework is essential for **driving accountability, ensuring regulatory compliance, and meeting stakeholder expectations**. Our analysis of ASX 1000 companies resulted in an overall ESG reporting score of **1.7** out of 10, indicating **significant room for improvement in disclosure practices**. Many companies struggle with **aligning reporting with global frameworks, providing third-party assurance, and integrating material ESG insights into financial disclosures**.



ASX 1000

Rating on a 10-Point Scale

Key Reporting Trends

TCFD Framework Adoption: Large-cap and mid-cap companies widely adopt TCFD as the dominant reporting framework, with ASRS adoption expected to grow further.

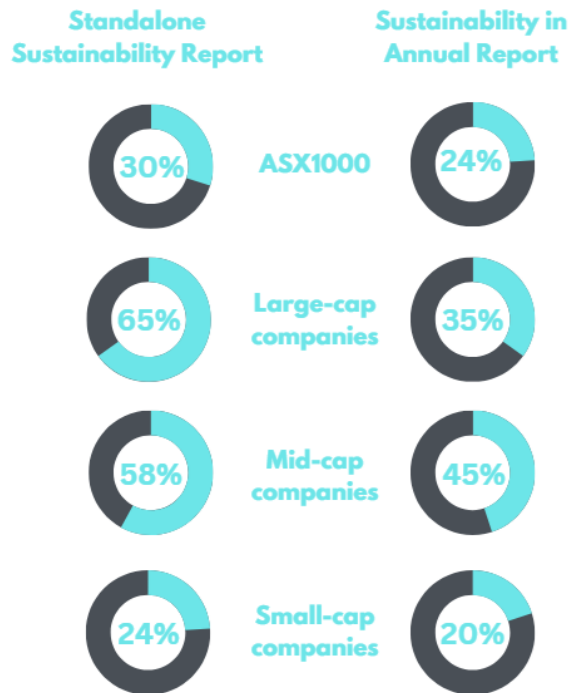
Integration with GRI: Over **70%** of TCFD-aligned reports also align with GRI standards for comprehensive sustainability reporting.

Minimal Third-Party Assurance: Only **17%** of ASX1000 companies secure third-party ESG assurance, raising concerns about data credibility and investor confidence.

Enhancing ESG Reporting

A **robust ESG reporting strategy** enhances **transparency, accountability, and stakeholder confidence** by ensuring organisations **effectively communicate their sustainability efforts**. Companies that align with recognised reporting frameworks can better meet **regulatory requirements, investor expectations, and industry benchmarks**.

Standalone Sustainability Report vs Sustainability Section in Annual Report (%)



Key Insights

Sustainability Reporting Trends: **30%** of **ASX 1000** companies publish standalone sustainability reports, while **24%** incorporate sustainability disclosures within their annual financial reports.

Adoption of Reporting Standards: **Australian Sustainability Reporting Standards (ASRS) guidelines** mandate **sustainability disclosures**, ensuring organisations align with international best practices.

Navigating ESG Standards

A well-defined **ESG reporting reporting framework** is essential for ensuring **consistency, transparency, and comparability** in ESG disclosures. Companies rely on various **global standards** to communicate their sustainability commitments and performance effectively. However, many small and mid-cap companies **struggle to determine the most suitable standard** for their business, often defaulting to frameworks adopted by large-cap companies rather than selecting one aligned with their unique sustainability priorities.

Key Challenges

Lack of Clarity in Standard Selection: Many small and mid-cap companies follow large-cap companies in adopting standards without assessing their relevance.

Fragmented Adoption of ESG Frameworks: Limited standardisation across companies leads to inconsistent sustainability reporting.

Underutilisation of Comprehensive Standards: While frameworks like TCFD, GRI, and UNSDGs provide structured ESG reporting guidelines, adoption rates remain low across ASX-1000 companies.

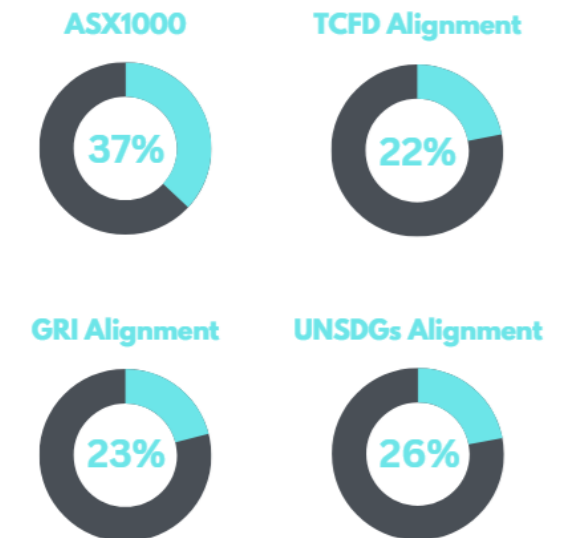
Performance by Company Size

22% of ASX-1000 companies align with **TCFD**, primarily **large-cap companies** leveraging its **structured climate risk disclosure**.

23% of ASX-1000 companies report using **GRI**, but **comprehensive adoption is still limited**.

26% of ASX-1000 companies integrate **UNSDGs** into their **ESG frameworks**, aligning ESG efforts with broader global priorities.

ESG Standards Adoption (%)



Adoption of ISSB Standards

The **International Sustainability Standards Board (ISSB)** provides a **comprehensive global framework** for sustainability reporting, ensuring **transparency, comparability, and consistency** in disclosing ESG-related risks and opportunities. These standards enable stakeholders to make informed decisions while aligning corporate reporting with global expectations. Australia's **AASB (Australian Accounting Standards Board)** is adapting ISSB's framework to **integrate national regulatory requirements**, ensuring ASX-listed companies meet both **global and local compliance obligations**.

Key Challenges

- **Large-cap companies** find it easier to transition to ISSB due to existing disclosures under TCFD and **established risk management processes**.
- **Mid-cap** and **small-cap companies** face significant hurdles due to limited experience with **structured ESG reporting frameworks**.
- **A lack of standardised ESG reporting infrastructure** in **smaller companies** leads to inconsistencies in sustainability disclosures.

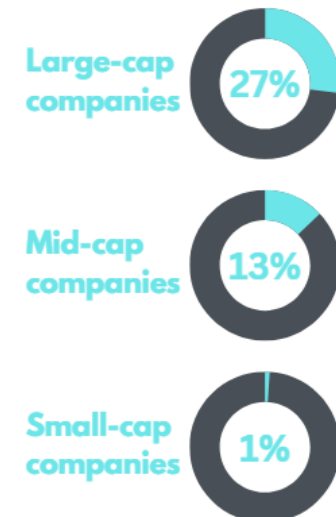
Performance by Company Size

27% of **large-cap companies** have **started referencing / aligning with ISSB standards**, leveraging prior experience with other ESG frameworks.

13% of **mid-cap companies** reference ISSB.

Only **1%** of **small-cap companies** have referenced ISSB, **highlighting a major gap in ESG reporting readiness**.

Companies Referencing ISSB (%)



Strengthening ESG Credibility Through Assurance

Third-party assurance plays a critical role in **validating sustainability data, ensuring accuracy, reliability, and alignment with ESG standards. Independent verification enhances credibility, builds stakeholder trust, and mitigates greenwashing risks** by confirming the **legitimacy of sustainability claims**. Under the **AASB Sustainability Standards, third-party assurance is mandatory for sustainability disclosures**, aligning **Australian reporting practices with global best practices** to promote **transparency and consistency**.

Key Challenges

- **Low adoption across ASX 1000 companies**, with only **17%** of the ASX1000 receiving some level of non-financial assurance.
- **Varied assurance scope**, with some companies only verifying select sustainability metrics rather than **comprehensive ESG data**.
- **Cost and complexity** remain **barriers**, especially for **smaller companies** with **limited resources**.

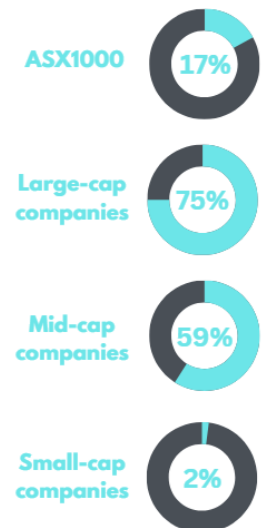
Performance by Company Size

75% of **large-cap companies** obtain third-party assurance, reflecting their **stronger compliance and investor expectations**.

59% of **mid-cap companies** engage in some level of third-party assurance but often have **gaps in scope**.

Only **2%** of **small-cap companies** conduct third-party verification, highlighting **significant risks in data reliability**.

Companies Receiving Third-Party Assurance (%)



Key Takeaways

Phased Implementation of ISSB

- A gradual transition to ISSB reporting is needed, particularly for small and mid-cap companies with little prior experience.
- Early planning and capacity building will prevent last-minute compliance challenges.

Prioritise Comprehensive Assurance

- Limited third-party assurance reduces credibility, with only 2% of small-cap companies engaging in assurance.
- Assurance should cover all key sustainability data points, not just selected metrics.

Align Reporting with Best Practices

- Only 30% of ASX 1000 companies have standalone sustainability reports, and many lack alignment with ISSB, GRI and TCFD guidelines.
- Stronger integration of sustainability disclosures into financial reports is necessary.



CLIMATE

Results

A robust climate strategy is essential for companies to mitigate risks, meet regulatory expectations, and build long-term resilience. Our analysis of **ASX 1000 companies** resulted in an overall climate performance score of **2.3** out of 10, highlighting significant gaps in **climate governance, risk management, and target setting**. Many companies lack **structured climate risk management frameworks, fail to integrate climate-related financial disclosures, and do not set clear emissions reduction targets**. **Strengthening governance structures, enhancing stakeholder engagement, and establishing measurable climate action plans** will be critical in bridging these gaps.



ASX 1000

Rating on a 10-Point Scale

Key Climate Reporting Trends

- Only **31%** of ASX 1000 companies have established **governance frameworks for climate oversight**.
- **26%** of ASX 1000 companies have structured **climate risk assessment and management strategies**.
- **24%** of ASX 1000 companies have implemented **climate-focused strategies, scenario analysis, and value chain risk assessments**.
- Only **17%** of ASX 1000 companies have set **measurable GHG reduction targets, indicating a lack of structured climate commitments**.

Enhancing Stakeholder Engagement

A **robust stakeholder engagement strategy** is essential for understanding and addressing **key stakeholder expectations**, **mitigating risks**, and **identifying opportunities across the value chain**. Companies that **map their stakeholders** and **implement formal engagement plans** are better positioned to drive **sustainable value creation** and **enhance trust**. Despite its importance, **stakeholder engagement remains inconsistent across ASX 1000 companies**, with significant gaps in mapping and formal engagement strategies, particularly among mid-cap and small-cap companies.

Key Challenges

- **Limited Stakeholder Mapping** across **mid-cap** and **small-cap companies**, with only **30%** of **ASX 1000 companies** having **formal engagement plans**.
- **Disparity in Engagement Practices**, as **90%** of **large-cap companies** have structured stakeholder engagement plans, compared to only **21%** of **small-cap companies**.
- **Lack of Formal Processes** to **integrate stakeholder feedback** into **ESG strategy** and **decision-making**.

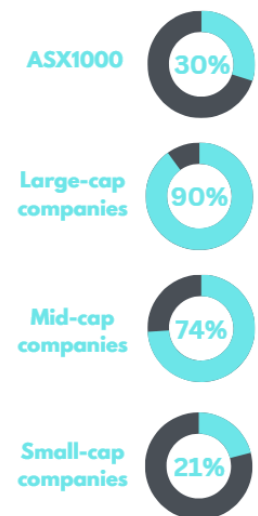
Performance by Company Size

Large-cap companies lead in **stakeholder engagement**, with **90%** having structured engagement plans.

Mid-cap companies demonstrate moderate engagement at **74%** yet **lack consistency** in **mapping** and **formalising stakeholder interactions**.

Small-cap companies fall significantly behind, with only **21%** implementing **formal engagement strategies**, highlighting a **critical gap in stakeholder integration**.

Companies with Formal Stakeholder Engagement Plans (%)



Strengthening Climate Governance

A **robust governance framework** is crucial for **effective climate strategy implementation**, ensuring that climate-related risks and opportunities are **embedded into corporate decision-making**. Companies with strong governance structures are better positioned to **drive accountability, align ESG commitments with business priorities, and respond proactively to regulatory and market expectations**.

Despite growing recognition of climate risks, only **31%** of **ASX 1000 companies** have **established governance frameworks for climate oversight**, highlighting a critical gap in climate governance integration.

Key Considerations for Effective Climate Governance

Embedding Climate Oversight at the Board Level:

Integrating climate responsibility into board structures ensures strategic alignment and regulatory compliance.

Enhancing Climate Risk Competency: Developing board and executive-level expertise in climate-related financial and operational risks fosters informed decision-making.

Aligning Governance with Climate Strategy:

Establishing clear roles and accountability ensures climate commitments translate into measurable action and business value.

Performance by Company Size

Large-cap companies (91%) lead in establishing governance frameworks for climate-related oversight. These companies typically integrate climate risk into board-level discussions, ensuring compliance with global standards and investor expectations.

Mid-cap companies (80%) demonstrate strong but slightly less consistent governance structures, often with climate-related oversight assigned to broader risk committees rather than dedicated sustainability leadership roles.

Small-cap companies (20%) significantly lag in formalising climate governance, with limited board-level climate accountability and oversight. This lack of structured governance presents risks related to regulatory non-compliance and stakeholder trust.

Companies with Governance Frameworks for Climate-Related Oversight and Management (%)



Addressing Climate-Related Risks

Effective risk management is essential for mitigating climate-related hazards, requiring companies to prioritise identified risks and embed monitoring, measurement, and management practices into their frameworks. These actions are critical to **ensuring organisational resilience, regulatory compliance, and adaptability** to evolving climate challenges.

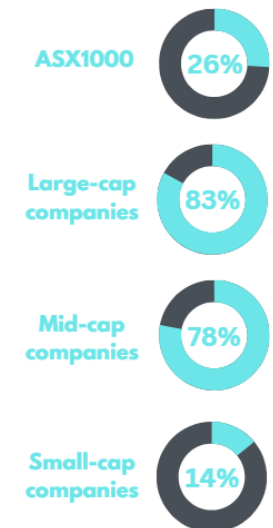
Challenges and Opportunities

- **Governance Gaps:** Mid- and small-cap companies lack structured risk management frameworks, increasing regulatory and financial risks.
- **Scenario Planning:** Companies embedding climate scenario analysis into risk frameworks can proactively address transition and physical risks.
- **Integration with Financial Planning:** Aligning climate risk with financial disclosures enhances investor confidence and long-term resilience.

Performance by Company Size

- **26%** of **ASX 1000 companies** have structured climate risk assessment and management strategies.
- **83%** of **large-cap companies** have structured climate risk assessment and management strategies.
- **78%** of **mid-cap companies** incorporate climate risk into operational risk management.
- Only **14%** of **small-cap companies** have formal climate risk monitoring frameworks, highlighting a major gap in preparedness.

Companies with Integrated Climate Risk Management Practices (%)



Advancing Climate Strategy

A **comprehensive climate strategy** is essential for organisations to navigate the growing risks and opportunities associated with climate change. This includes assessing value chain components for **physical and transition risks**, **aligning climate risks with business objectives**, and **adapting policies to enhance long-term resilience**. **Scenario analysis** plays a crucial role in testing organisational preparedness against climate uncertainties, enabling data-driven decision-making.

Key Considerations for Effective Climate Strategies

Embedding Climate Risk in Core Strategy: Companies must move beyond compliance-driven approaches and fully integrate climate risks into business planning, ensuring resilience to both physical and transition risks.

Scaling Scenario Analysis for Future Resilience: Conducting climate scenario analysis is essential for understanding potential disruptions and developing adaptive business strategies.

Aligning with Investor and Stakeholder Expectations: Investors and regulators are increasingly demanding climate-related financial disclosures. Companies must enhance transparency to meet market and compliance expectations.

Leveraging Innovation and Technology: Utilising data analytics, AI-driven modeling, and climate risk software can improve scenario analysis, streamline reporting, and enhance decision-making processes.

Performance by Company Size

Large-cap companies (77%) lead in implementing climate-focused strategies, scenario analysis, and value chain risk assessments, demonstrating a proactive approach to climate resilience.

Mid-cap companies (75%) follow closely but often lack comprehensive integration of scenario analysis in long-term strategic planning.

Small-cap companies (13%) significantly lag in adopting climate-focused strategies, exposing themselves to regulatory, financial, and operational risks due to limited climate preparedness.

Companies with Climate-Focused Strategies and Scenario Analysis (%)



Strengthening Climate Accountability

Establishing **clear, science-based climate targets and robust greenhouse gas (GHG) accounting mechanisms** is crucial for organisations to demonstrate climate accountability and track progress toward net-zero commitments. However, **a significant gap remains** in the adoption of validated targets and measurable climate objectives, particularly among **mid- and small-cap companies**.

Key Considerations for Effective Climate Targets

Embedding Climate Risk in Core Strategy: Companies must move beyond compliance-driven approaches and fully integrate climate risks into business planning, ensuring resilience to both physical and transition risks.

Scaling Scenario Analysis for Future Resilience:

Conducting climate scenario analysis is essential for understanding potential disruptions and developing adaptive business strategies.

Aligning with Investor and Stakeholder Expectations:

Investors and regulators are increasingly demanding climate-related financial disclosures. Companies must enhance transparency to meet market and compliance expectations.

Leveraging Innovation and Technology: Utilising data analytics, AI-driven modeling, and climate risk software can improve scenario analysis, streamline reporting, and enhance decision-making processes.

Performance by Company Size

Low Overall Adoption: Only **17%** of **ASX 1000 companies** have set **measurable GHG reduction targets**, indicating a **lack of structured climate commitments**.

64% of **large-cap companies** have **established GHG accounting systems and validated climate targets**, ensuring greater transparency and investor confidence.

55% of **mid-cap companies** have **set climate-related targets**, but many **lack third-party validation or comprehensive reporting frameworks**.

Only **8%** of **small-cap companies** have set **GHG accounting frameworks and climate targets**, signaling a critical need for regulatory incentives and capacity-building.

Companies with GHG accounting, climate metrics and targets (%)



Key Takeaways

Enhance Stakeholder Engagement

- Engaging stakeholders is essential for climate strategy integration and risk mitigation.
- Small-cap companies must prioritise formal stakeholder engagement to address climate risks, build partnerships, and align with ESG expectations.

Adopt Robust Risk Management

- Companies, particularly small-cap companies, must embed climate risk frameworks into their operations to enhance resilience against physical and regulatory climate challenges.
- Proactive risk identification and mitigation are critical to safeguarding long-term business stability.

Focus on Measurable Climate Action

- Setting clear metrics and science-based climate targets, such as GHG accounting and reduction commitments, is essential for tracking progress and maintaining competitiveness in a sustainability-driven market.

What Can You Do?

Understand Stakeholder Expectations

Use stakeholder materiality assessments to align sustainability efforts with business priorities and regulatory requirements.

Establish a Cross-Functional ESG Governance Structure

Ensure sustainability reporting processes are robust by integrating governance structures that oversee data collection, reporting, and approvals.

Define Strategic ESG Imperatives

Identify key ESG themes and metrics, aligning with emerging frameworks like CSRD and ISSB to prepare for regulatory shifts.

Invest in High-Quality ESG Data Management

Strengthen non-financial data governance, including process documentation, validation controls, and digital systems for data accuracy.

Tailor Your ESG Reporting Approach

Adapt reporting based on material ESG impacts, whether through SDGs, SASB, or custom metrics, ensuring transparency, compliance, and strategic integration.

Our Services

Sustainability & ESG Advisory

We partner with large, mid and small organisations globally to develop and implement impactful sustainability and ESG projects.

[View Impact](#)

Keynote Talks

We help spark conversations and drive change by delivering keynote talks at corporations, industry associations, universities and other organisations.

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Coaching & Mentoring

We help guide individuals and teams to unlock their potential and achieve their goals through personalised coaching and mentoring programs.

[View Impact](#)

University Lecturing

We inspire and educate future generations by delivering engaging university courses on topics related to leadership, governance, and sustainability.

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Impact

14 Clients | 6 Countries | 36 Projects Delivered | 1,028 People Engaged

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Impact

29 Keynotes Delivered | 7 Countries | 2,830 Audience Engaged

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Impact

490 Clients | 500+ Sessions

[Read More](#)

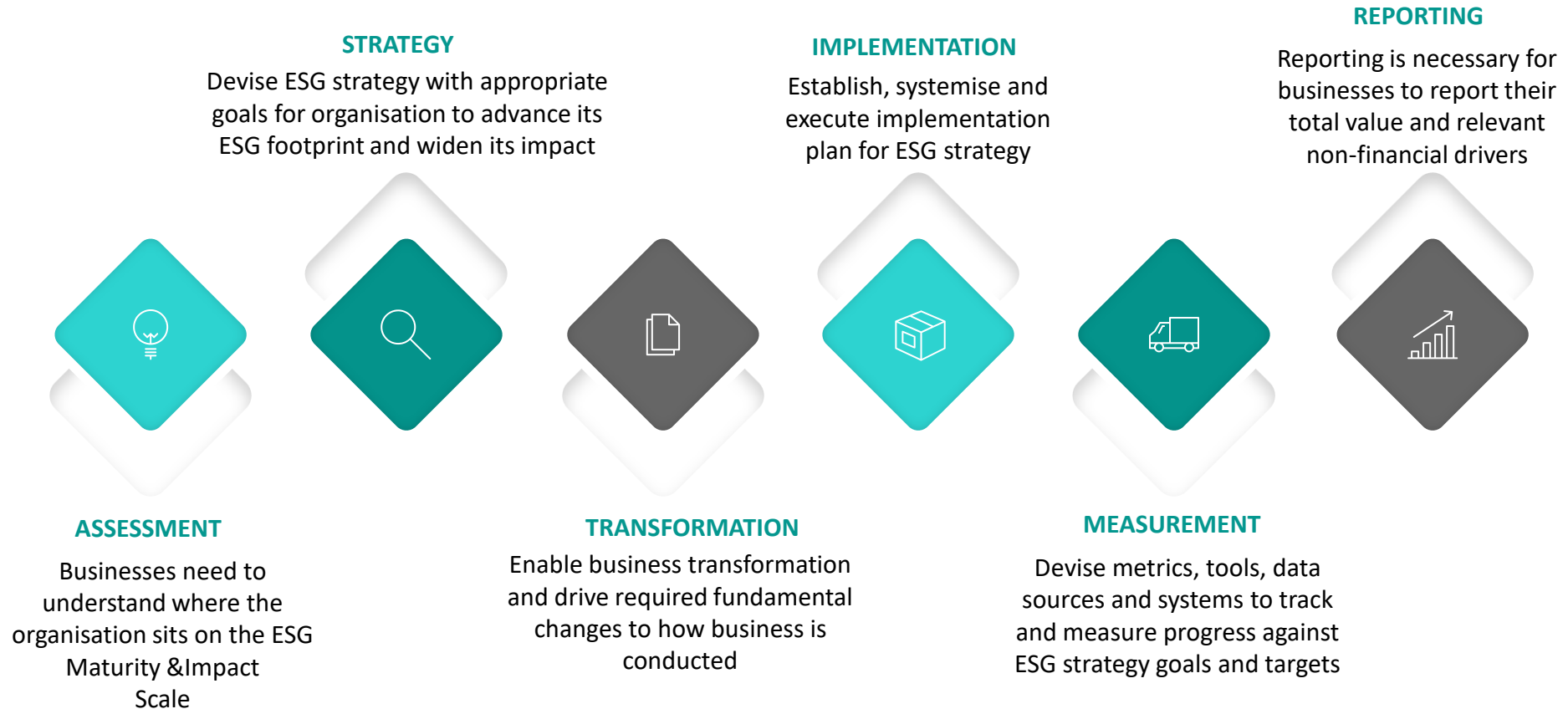
Impact

7 Universities | 21 Courses Delivered | 12,953 Students Engaged

[Read More](#)

Our Approach

Our experience with supporting diverse industries in **Americas, Asia Pacific, Middle East** and **Europe** with their ESG initiatives provides us with invaluable knowledge, which we can leverage to support you in different areas of your ESG journey. We employ the following approach to assist our clients assess, implement, transform and enhance the environmental, social, governance (ESG) and sustainability needs.



How Do We Embed ESG

Strategic considerations



Stakeholder expectations (e.g. customers, investors)



Global Sustainability agenda and Policy landscape



Regulatory trajectory on ESG



Market positioning and differentiators



Alignment with business strategy



Operating model impacts on business units and portfolios

Shaping Your ESG Vision and Strategy



Key Strategy Dimensions



Researchers



Rishika Salvadi

Pursuing Masters in Environment and Sustainability at Monash University, majoring in Corporate Environmental and Sustainability Management



Khyathi Ummadisingu

Master's student in Environment at the University of Melbourne, specialising in Governance, Policies, and Markets



Apoorva Garg

Sustainability professional with a Masters in Management degree specialising in Sustainable Development and Circular Economy.



Sri Harsha

3+ years of experience working with clients across three continents, specialising in ESG reporting, GHG management, and strategy development.



THANK YOU



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