Preparing for emerging risk

Regulatory and liability snapshot for asset owners

CLIMATE RISK & ASSET RESILIENCE

SUMMIT 2026

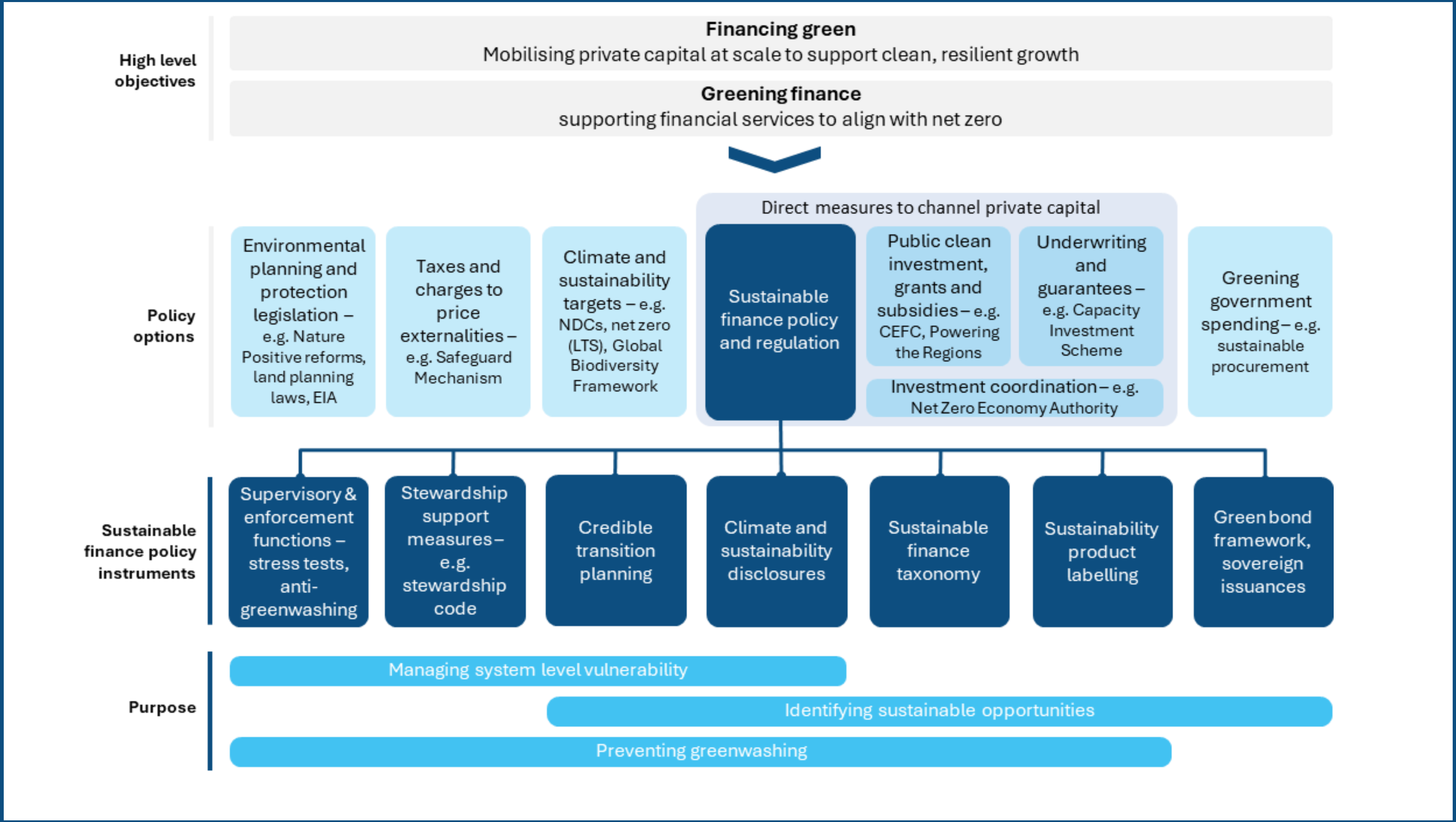
Australian Sustainable Finance Institute


ASFI works across public and private sectors, removing barriers for finance and investment in decarbonisation

Member based.
Mission driven.

We bring the expertise and influence of Australia's largest financial institutions to tackle sustainability challenges and accelerate decarbonisation.

Associate Member


High level objectives
Financing green
Mobilising private capital at scale to support clean, resilient growth
Greening finance
supporting financial services to align with net zero
Policy options
Environmental planning and protection legislation – e.g. Nature Positive reforms, land planning laws, EIA
Taxes and charges to price externalities – e.g. Safeguard Mechanism
Climate and sustainability targets – e.g. NDCs, net zero (LTS), Global Biodiversity Framework
Direct measures to channel private capital
Sustainable finance policy and regulation
Public clean investment, grants and subsidies – e.g. CEFC, Powering the Regions
Underwriting and guarantees – e.g. Capacity Investment Scheme
Investment coordination – e.g. Net Zero Economy Authority
Greening government spending – e.g. sustainable procurement
Sustainable finance policy instruments
Supervisory & enforcement functions – stress tests, anti-greenwashing
Stewardship support measures – e.g. stewardship code
Credible transition planning
Climate and sustainability disclosures
Sustainable finance taxonomy
Sustainability product labelling
Green bond framework, sovereign issuances
Purpose
Managing system level vulnerability
Identifying sustainable opportunities
Preventing greenwashing

Australian
Sustainable
Finance
Institute

Why this matters?

- Climate change is a long-term structural vulnerability for the financial system, alongside geopolitical and operational risk
- It carries physical, transition and legal risk, not just environmental risk
- Regulators now expect asset owners to manage it like any other material financial risk
- The reporting and liability landscape is evolving with Mandatory disclosures

Australian
Sustainable
Finance
Institute

APRA's expectations for regulated asset owners

CPG 229 Climate Change Financial Risks is a regulatory guidance framework that helps banks, insurers, and superannuation funds manage financial risks and portfolio exposures related to physical, transition, and liability impacts of climate change

- CPG 229 expects climate risk to be managed within existing risk frameworks, not as a separate exercise
- The board holds ultimate responsibility for oversight and must be able to show it
- Climate risk shows up across credit, market, operational, insurance, liquidity and reputational risk
- Scenario analysis and stress testing are expected, at a level proportionate to size and complexity

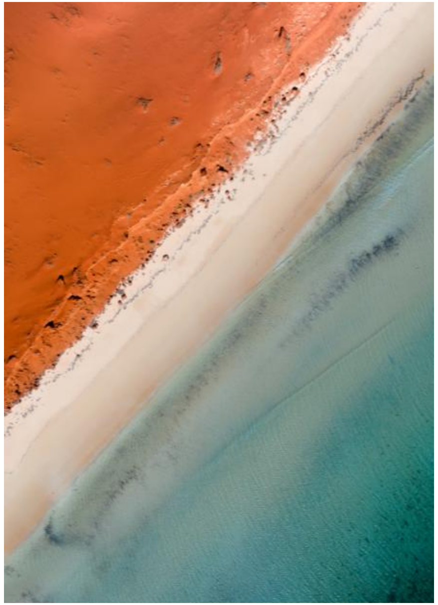
Australian
Sustainable
Finance
Institute

Where liability risk comes from

- Misleading or deceptive disclosure has a low legal threshold, and intent to mislead is not required
- Forward-looking statements must be made on reasonable grounds at the time they are made
- A temporary Modified Liability regime limits enforcement to the regulator in the early years, it is not a free pass
- Directors can also be liable for a breach of due care and diligence, separately from the disclosure itself

Australian
Sustainable
Finance
Institute

The greenwashing and greenhushing trap

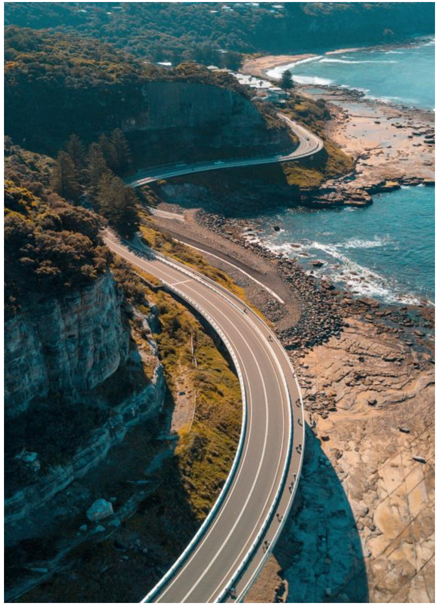


- Greenwashing: understating risk or overstating resilience to climate change
- Greenhushing: saying too little on risks, targets or transition plans to avoid scrutiny
- ASIC's Chair has described greenhushing as just another form of greenwashing
- Silence is not a safe harbour where disclosure is legally required

Australian
Sustainable
Finance
Institute

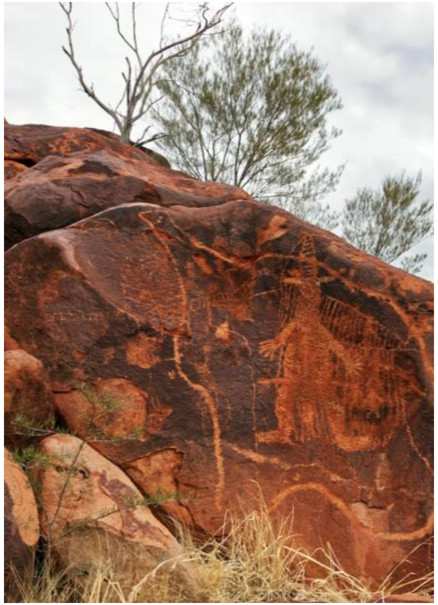
Directors' duties don't stop at disclosure

- The best interests duty does not prohibit considering climate change, it can require it
- The duty of due care and diligence requires active oversight of reporting systems, not passive sign-off
- This applies to strategy and risk oversight generally, not only to the Sustainability Report
- Boards should be able to show how they interrogated the numbers, not just that they approved them



Australian
Sustainable
Finance
Institute

Building resilience, not just compliance



- Treat climate reporting as a strategic tool for decision-making, not a compliance exercise
- Embed climate risk into existing risk and investment frameworks, rather than a separate silo
- Use scenario analysis to inform strategy and stewardship, not only to produce a disclosure
- Regulatory uncertainty is a real barrier, so engage with regulators and industry bodies to help close gaps in guidance

Key takeaways

Climate risk is now core financial and legal risk, not a side issue for asset owners

Resilience, not compliance, should be the goal