

Senate Economic References Committee
Carbon Risk Disclosure Inquiry
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Submission to the Senate Economics Reference Committee on Carbon Risk Disclosure

Thank you for the opportunity to comment on this issue. I will offer a very brief oversight of my research findings, as they relate to some of the terms of reference.

I completed my PhD in 2015 from La Trobe University in Melbourne. The title of my thesis is: "A Study of Australian Corporate Responses to Climate Change: Risks and Opportunities."

With disciplinary roots in strategic management, the thesis contributes to a better understanding of large Australian organisations' awareness and response to climate-change-related risks and opportunities.

The aim of my thesis was to investigate if large Australian private-sector organisations are responding to climate-change-related risks and opportunities and if so, to understand why and how they are responding.

Drawing on the organisational, institutional, stakeholder theory and risk management theory, a conceptual framework was developed that captures how organisations first identify climate change as an issue, the categorization of risks and opportunities, and the development of an organisational response. Of specific interest was the organisational engagement with the opportunities and risks presented by climate change in each of the three stages of the conceptual model: issue awareness, issue categorization and issue response.

The gap in the research into organisational awareness and responses to climate-change related opportunities lent itself to an exploratory research paradigm. A two-stage research methodology was used, which included a content analysis of the 71 Australian corporate responses to the 2010 Carbon Disclosure Project Investor Survey (Stage one) and 26 in-depth interviews with senior managers across a range of Australian organisations and sectors (Stage two).

The findings from the research suggest that organisations are responding to the risks, more than the opportunities from climate-change. However, where they are responding to opportunities, they are in the eight key areas of; energy

efficiency; investment in renewable and alternative energy; measurement and reporting of carbon-related information; supply chain measures; stakeholder engagement; a business case for response; risk management and; collaboration with competitors.

However, despite the responses to these opportunities, it was found that the responses are being constrained by a number of internal and external factors, resulting in a threat-rigid response. It was found that institutional forces present barriers for effective organisational adaptation to climate change. The barriers were found to emerge from three key areas: the current high levels of uncertainty about climate change, the policy environment, and path dependence in organisational routines of risk management and corporate governance. These barriers have resulted in a skew towards GHG mitigation efforts in place of attempts to adapt or build adaptive capacity, and a partial explanation of this skew is offered through describing the role of positive disincentives created by institutional forces in driving the preference.

Organisations are responding to these barriers through the development of organisational resilience capabilities in four key areas: boundary spanning capabilities, measurement and reporting capabilities, extension of the risk management and corporate governance capabilities, and other examples of discrete organisational capabilities. However, overall, a significant amount of work is required in aligning the risk awareness, categorization and response within a meaningful risk measurement, management and reporting framework that allows for commensurate measures of risk across sectors.

I believe my research can offer significant input into the development of a precursory understanding of the nature of risks and current organisational responses to climate change. This is an important first step in developing an effective risk disclosure framework.

Please feel free to contact me for further information or assistance with the enquiry.

Sincerely,

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