



# Climate Change Financial Risks

**Australian Prudential Regulation Authority (APRA) Draft CPG 229  
Prudential Practice Guide**

KPMG Australia

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## Executive Summary

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to the Australian Prudential Regulation Authority (APRA) consultation process in relation to the draft *Prudential Practice Guide (PPG) CPG 229 Climate Change Financial Risks (CPG 229)*.

Climate change risks are increasingly recognised as one of the key issues facing economies and communities today. While KPMG understands that the draft CPG 229 is not legally binding, we welcome its release given it is designed to provide helpful guidance on how regulated entities can fulfil their prudential obligations in relation to climate-related risk management. Organisations that have good practice risk management plans in place are better equipped to adapt and respond to changes in the economic and regulatory environment brought about by our changing climate. The draft CPG 229, combined with the pilot program of Climate Vulnerability Assessments, will paint a clearer picture as to the direction in which Australian regulators are heading when it comes to climate risk management.

Many of KPMG’s clients are already taking steps to better understand climate-related risk, especially in the banking, general insurance and superannuation sectors. This was also confirmed in APRA’s first climate survey of 2019<sup>1</sup> which found that one-third of survey respondents considered climate change as a material financial risk to their businesses now; a further half thought it would be in the future.

One area in which KPMG is increasingly working with clients is in helping them understand the business risks associated with climate change (both transitional and physical) together with the link between climate change risk and geopolitics. The risks arising in the economic and regulatory environment from climate change are driven by geopolitics, and in turn, these risks drive geopolitics. Arguably, the organisations, which build this awareness into their risk strategies, will be more successful in navigating climate change risk.

The draft CPG 229 is closely aligned to the globally recognised Task Force on Climate-related Financial Disclosures (TCFD) framework for the effective disclosure of climate-related financial risks. Adoption of this framework is growing across many large Australian organisations with almost 60 percent of ASX100 businesses disclosing climate risks. KPMG’s global report looking at the world’s largest 250 companies (the G250), *Towards net zero: How the world’s biggest companies report on climate risk*,<sup>2</sup> also found that Australia’s top 100 companies are ahead of the G250 on multiple criteria for good climate risk reporting.

KPMG is aware that some jurisdictions, such as the United Kingdom, Singapore, Hong Kong and New Zealand, are moving to make TCFD disclosures mandatory. However, we support APRA’s current position of issuing non-binding guidance as a first step as best-practice risk management

<sup>1</sup> [APRA to step up scrutiny of climate risks after releasing survey results | APRA](#)

<sup>2</sup> <https://home.kpmg/au/en/home/insights/2020/11/climate-risk-reporting-towards-net-zero.html>



matures in the Australian context. Australian businesses will need to plan and prepare for the time when climate-change risk-related disclosure becomes mandatory in the future, noting that many of our peers are already moving to mandatory reporting. A lack of certainty in relation to the future impacts of climate risks makes this process difficult, however, this should not be considered a reason to avoid disclosure of exposure to these risks.

Better climate-related disclosure does not necessarily mean better progress towards a more sustainable, low-carbon economy. Nevertheless, widespread, high-quality climate-related disclosures would highlight those entities that make progress and provide investors and customers with vital insights to help inform their decisions. Providing vital insights into an organisation's climate commitments is becoming increasingly important as not only customers and investors seek more information but so, too, do rating agencies and other critical stakeholders.

One area which may prove to be a significant limitation for businesses seeking to improve climate-related disclosures through more accurate measurement, monitoring and reporting of climate risks is data. As for all material risk classes within the risk management framework, data availability and data quality are significant enablers to transparent, timely and accurate risk reporting. Further investment in data infrastructure will be needed to integrate climate with existing risk reporting processes. Here, guidance from APRA on standardisation of metrics and implications for Critical Risk Data Elements (CRDEs) would assist consistency and speed of adoption. This data challenge may also create opportunities for entities that are able to move quickly to proactively set standards in this area and become market leaders. As more regulators like APRA get involved and set firm expectations on climate-related disclosures, we should see businesses continue to develop data-driven approaches to fulfil regulatory expectations.

We would welcome meeting with APRA at a future date to discuss our submission and look forward to continuing to contribute to the debate on this vitally important issue.

Yours sincerely,



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## Background

KPMG is a global network of professional firms providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in the digital-driven world.

### **KPMG's commitment to Climate Action**

KPMG supports scientific consensus that human activity is the primary cause of climate change and acknowledges our responsibility in limiting warming to less than 1.5° above pre-industrial levels.

Under our Climate Action Plan to 2022, we have committed to be a net zero emissions business, an enabler of the circular economy, and to transparently managing our climate risk and ongoing contribution to the UN Sustainable Development Goals.

KPMG is certified carbon neutral through Climate Active. On our journey to net zero, we are also committed to driving continuous operational improvement and minimising our impact on the planet through energy and waste efficiency, the sourcing of 100 percent renewable energy, by reducing non-essential business travel and working with suppliers to minimise supply chain emissions.

### ***Banking & Capital Markets group***

Combining a strong local presence and deep capability with access to an extensive global network of banking professionals, KPMG's Banking & Capital Markets team in Australia supports our clients to successfully navigate through disruptive times. We strive to identify and mitigate risks and provide strategic advice to capitalise on future opportunities.

### ***Climate Change & Sustainability***

KPMG's Climate Change & Sustainability team works with organisations to help them manage the risks and opportunities associated with non-financial issues, and to enhance all aspects of reporting and communication. We also provide assurance services over all non-financial disclosures to enhance the credibility of reported information.

### ***Australia Geopolitics Hub***

KPMG's Australia Geopolitics Hub (AGH) assists clients and provides thought leadership to track and effectively navigate geopolitical complexity and risk. The AGH draws on specialised capabilities across KPMG in Australia and globally to provide tailored and practical roadmaps for success in these uncertain geopolitical times.

## Section 1: KPMG Findings

### Disclosure

- 1 KPMG welcomes the draft CPG 229 given it is designed to provide helpful guidance on how regulated entities can fulfil their prudential obligations in relation to climate-related risk management.

### Governance

- 2 KPMG has many clients already reporting climate-related risk in line with TCFD recommendations and believes businesses should be aware that mandatory reporting is likely to be a future requirement. APRA should consider timeframes for mandatory reporting in line with our international peers as maturity improves across APRA regulated entities.

### Risk management

- 3 Further investment in data infrastructure will be needed to integrate climate with existing risk management frameworks. Reporting processes and guidance from APRA on standardisation of metrics and implications for Critical Risk Data Elements (CRDEs) would assist consistency and speed of adoption.
- 4 KPMG suggests regulators should consider providing guidance for regulated entities to help assess and understand geopolitical risk drivers and incorporate them into their risk analyses and mitigation strategies.

### Scenario analysis

- 5 The draft CPG 229 would benefit from further clarity around the potential development of a standardised set of metrics, how scenario analysis is intended to inform management decision making, expectations around regulatory-driven scenario analysis to promote consistency across stress testing activities and what APRA's potential roadmap and timeline look like.
- 6 KPMG considers that the draft CPG 229 could benefit from a further consultation process that would look at how current exposures and future targets could be incorporated in line with the TCFD recommendations, noting that Australia is at the beginning of its journey in quantifying 'financed emissions' - emissions attributable to businesses they part own or to which they lend.

# Section 2: KPMG Insights

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## Introduction

KPMG understands that in reviewing the draft CPG 229, APRA encourages regulated entities to consider how the guidance may be applied within the context of their institution's specific structure, business requirements and strategic objectives. APRA is also seeking feedback on the overall applicability and flexibility of the draft CPG 229, given the diverse institutions it is designed to oversee. KPMG's submission is structured around the broad themes covered in the draft CPG 229, comprising disclosure, governance, risk management and scenario analysis.

KPMG has been advising the firm's clients on how they should best manage and report climate risks and has released a report titled *Climate Disclosures Within the Annual Report – An Australian Focus* as a guide to help businesses communicate the impacts of climate on their business models, strategy, financial performance, and future prospects in their Annual Reports and Financial Statements.<sup>3</sup> The report helps businesses navigate the different disclosure requirements and recommendations applicable in Australia that may be affected by climate risks. The findings of this KPMG report are highlighted in this submission to provide context around the readiness of Australian business to move to climate-risk reporting.

### KPMG Global Survey – Towards Net Zero

KPMG conducted a global report of the world's largest 250 companies (the G250). *Towards net zero: How the world's biggest companies report on climate risk and decarbonisation*<sup>4</sup> aims to help corporate reporting, investor relations and sustainability professionals shape their own company's reporting on climate risk and net-zero transition. It may also help investors, lenders, insurers, asset managers and ratings agencies understand the current reporting maturity of the world's leading global companies and the gaps where improvement is needed.

It sets out [12 criteria](#) for best-practice climate risk disclosures, grouped under four themes: governance, identification, impacts of climate-related risks, and reporting on a net-zero transition. The Australian supplementary research then compares ASX100 performance against these criteria with the G250 and breaks the findings into industries.

## Disclosure

For each of the past four years, climate risks have been identified by the World Economic Forum (WEF) as the top threat facing us, with WEF recently making the critical observation that "climate change is striking harder and more rapidly than many expected". The COVID-19 pandemic demonstrates that many businesses are vulnerable to external shocks whether that be through a pandemic or other natural disaster that may bring about unimaginable economic and social disruption, whether abruptly or cumulatively. Further, the geopolitical landscape is being impacted by climate change and in turn climate change is driving tensions in geopolitics.

<sup>3</sup> [Climate disclosures within the Annual Report - KPMG Australia \(home.kpmg\)](#)

<sup>4</sup> <https://home.kpmg/au/en/home/insights/2020/11/climate-risk-reporting-towards-net-zero.html>

Some major institutional investors have put climate change at the centre of their firm's investment strategy, while investors have pledged trillions of dollars in financing and investment in areas that focus on climate.<sup>5</sup>

The pace of climate-related disclosures in the banking sector globally has also clearly increased due to regulator and community expectations. Many banks are not only including significant information in their annual reports but are also issuing separate ESG reports and often even an additional report specifically on the TCFD recommendations. This appears to be the general direction chosen by regulated entities and regulators in several jurisdictions.

The *Climate disclosures within the annual report – an Australian focus* report emphasises the following:

1. **Climate risk is here** – climate change is impacting current corporate strategies, valuations and investor decisions.
2. **Climate risks may be material even if you do not think they are** – materiality is assessed from a user's perspective.
3. **Regulators expect climate impacts to be disclosed in the annual report** – climate risk impacts on governance, business model, strategy, risk management, and performance and prospects should be disclosed in the annual report (where material).
4. **Disclose impacts and key assumptions in the financial statements** – assets and liabilities should be measured and recognised, considering the impact of climate change. Material climate-related assumptions and associated uncertainties should be disclosed even if there are no quantitative impacts on recognised balances.
5. **Be consistent** – disclosures in the financial statements need to be consistent with statements and strategies outlined in the front end of annual reports (where relevant and material to a user's understanding).
6. **Drive change** – lastly, climate change risk reporting should have a cascading impact through an organisation and drive more transparent reporting of material issues up to board level.

### Case study: United Kingdom mandates reporting on climate-risk exposure

From 1 January 2021, all premium-listed companies have been mandated by the UK Government to report on their climate risk exposure, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This will roll out for all UK companies by 2025.

The UK Government has recognised that every business is exposed, to varying degrees, to both physical and transitional climate risk. To ensure our clients are ready to meet the UK Government's mandate, KPMG UK has developed a 'TCFD readiness review' which compares a current business' status with the disclosure requirements and what peers are doing. The KPMG process follows three steps:

<sup>5</sup> <https://www.ft.com/content/ffd794c8-183a-11ea-b869-0971bffa109>

- 1 Gather existing documentation on the key TCFD areas of governance, strategy, risk management, and metrics and targets, and 11 additional Disclosure Information Quality Index points to understand what processes are in place already;
- 2 Conduct short interviews with key stakeholders across different functional areas to understand the requirements of the senior stakeholders and the thinking done to date; and
- 3 Benchmark the firm against the market and the regulatory requirements, as presented in a report.

To tackle the requirement, companies need to take three key steps: understanding their ‘as is’ state via a TCFD gap analysis, then fill the gaps related to Governance, Risk, Strategy and Metrics and Targets, and lastly disclose their progress to the market.

## Findings: Disclosure

- 1 KPMG welcomes the draft CPG 229 given it is designed to provide helpful guidance on how regulated entities can fulfil their prudential obligations in relation to climate-related risk management.

## Governance

The draft CPG 229 notes that the ultimate responsibility for the sound and prudent management of an APRA-regulated institution’s business operations rests with its board of directors. APRA therefore considers it prudent practice for the board to seek to understand and regularly assess the financial risks arising from climate change that affect the institution, now and into the future.

KPMG’s report, *ASX200 trends in corporate reporting 2020*,<sup>6</sup> found that as a result of the COVID-19 pandemic and a push from both regulators and investors for enhanced disclosures on climate and other non-financial risks, most of Australia’s largest listed companies surveyed and many large-scale non-listed organisations surveyed adopted integrating reporting principles when drafting their annual reports.

Australian companies place second across the globe in acknowledging climate change as a risk and on average are ahead of the G250 on this. This is on-par with other leading countries:

- **78 percent** of ASX100 companies are acknowledging climate change as a financial risk. This is up from 52 percent in 2017. Only 56 percent of the G250 acknowledge climate change is a financial risk to their business.
- **58 percent** of the ASX100 companies report using the TCFD framework, up from 16 percent in 2017. Only 37 percent of the G250 reported using the TCFD framework.

<sup>6</sup> <https://home.kpmg/au/en/home/insights/2020/11/asx200-corporate-reporting-trends-2020.html>



## Findings: Governance

- 2 KPMG has many clients already reporting climate-related risk in line with TCFD recommendations and believes businesses should be aware that mandatory reporting is likely to be a future requirement. APRA should consider timeframes for mandatory reporting in line with our international peers as maturity improves across APRA regulated entities.

## Risk management

When it comes to corporate reporting, presentation matters, including the presentation of climate risk information. It is best practice to publish climate-related information in an annual report, integrated financial report or standalone TCFD report. Designating a clear section of the annual/integrated report or TCFD report demonstrates that the company is attempting to disclose and manage climate risks and opportunities.

There is a clear expectation that entities should be considering climate risk when preparing their annual reports, in both the directors' report and the financial statements. As reported in KPMG's *Towards Net Zero* report, **32 percent** of the ASX100 follow this best practice by including TCFD disclosures in their annual/financial integrated report or in a standalone TCFD report, up from 4 percent in 2017.<sup>7</sup>

Even if entities determine that, based on their operations, climate-related risks do not currently have a material quantitative impact on the recognition and measurement of assets and liabilities in financial statements, there is an increasing expectation from regulators and investors of more information being provided in annual reports on this topic. As a result, it is important, particularly for entities operating in sectors that are likely to be more heavily impacted by climate change, to consider the disclosures made both in and outside the financial statements and whether climate-related risk discussions should be featured.

Uplifting data infrastructure capabilities to improve data availability and data quality across the organisation will be a key enabler to determining the impact on financial assets and liabilities and supporting higher quality disclosures in financial reports. Businesses seeking to improve their climate-related disclosures through investment in data and existing risk reporting processes would benefit from further guidance on a standardised set of metrics and methodologies for reporting, as well as the implications for Critical Risk Data Elements (CRDEs), to support consistency and speed of adoption for these processes.

### Climate change has the potential to seriously disrupt global supply chains

Already we are experiencing the physical risks associated with extreme weather events like the 2020 Australian bushfires. Resource scarcity, including insufficient potable water supply, already

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<sup>7</sup> <https://home.kpmg/au/en/home/insights/2021/01/21ru-002-climate-related-risks-in-financial-statements.html>

threatens many countries. Associated socio-political risks such as human displacement, mass migration, health crises, and unrest – including within and across borders – are already occurring and are likely to increase.

Regulatory guidance needs to consider how climate change affects the operation of, and changes to, supply chains, including, for example:

- extreme weather events could shut down critical supply routes and increase the costs of transport and insurance (fires in South East Asia annually disrupt flights and commerce in Singapore and Malaysia, just as major storms in the South China Sea could seriously disrupt shipping);
- how climate change is driving tensions in geopolitics and how these tensions may impact trade flows due to increases in tariffs and trade sanctions;
- changing consumer preferences could drive greater demand for sustainable goods and corporate brands could suffer from failure to address climate responsibilities (the need to embrace more climate-friendly products and services could see businesses face great pressure to adapt quickly or lose value); and
- the impact of carbon pricing schemes could drive increasing business costs, which in turn could drive businesses to pivot to greener and more efficient technologies.

Businesses need to develop the capabilities to be able to persist, adapt or transform in a crisis – to be resilient. If businesses can anticipate, prepare for and respond to global trends they will more effectively navigate this less predictable world, and be in a position to capitalise on opportunities. A prime example of this is the valuable lessons learnt during the COVID-19 pandemic and the business continuity plans and reporting processes put in place to protect against future supply chain disruptions.

### **The geopolitics of climate change**

Understanding that climate change is driven by geopolitics as well as increasing emissions can help entities better navigate and mitigate risk. There are several ways to build the geopolitical context into risk mitigation strategies. For example:

- geopolitical stress tests can be performed as part of scenario planning to help evaluate the impact of various scenarios on financial, business and operating models; for example, geopolitical tensions leading to large swings in global currencies, stock markets or commodity prices, or loss of access to key geographic markets.<sup>8</sup>
- forecasting and monitoring geopolitical risk to keep up with what is changing in the external environment and analyse the regulatory and economic circumstances. This could be done by deploying the power of big data to monitor public sentiment and policy updates to better anticipate the direction and speed of change.<sup>9</sup>

<sup>8</sup> <https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/03/the-ceo-as-chief-geopolitical-officer.pdf>

<sup>9</sup> <https://assets.kpmg/content/dam/kpmg/xx/pdf/2021/02/top-risks-2021-the-bottom-line-for-business.pdf>

- ensuring information is getting to the right people in an organisation’s governance area. Given the speed of change and limited time to react, geopolitical risks could hit multiple parts of a business simultaneously.

Under these conditions, appropriate governance frameworks and risk planning are essential. Geopolitics will manifest as a number of different business risks, which means the type of mitigation strategies a business can employ might sit in any or more of the workforce planning, cybersecurity, compliance and tax divisions of a business.

Global interconnectedness means that a geographically distant or individually insignificant risk could have hidden systemic significance for businesses. Robust preparation, including risk profiling, scenario modelling and strategic adaptation strategies would minimise the potential damage of geopolitical risks brought about by climate change.

## Findings: Risk management

- 3 Further investment in data infrastructure will be needed to integrate climate with existing risk management frameworks. Reporting processes and guidance from APRA on standardisation of metrics and implications for Critical Risk Data Elements (CRDEs) would assist consistency and speed of adoption.
- 4 KPMG suggests regulators should consider providing guidance for regulated entities to help assess and understand geopolitical risk drivers and incorporate them into their risk analyses and mitigation strategies.

## Scenario analysis

Scenario analysis is the primary approach in the TCFD framework to understand and disclose the potential impacts of climate change. Scenario analysis helps companies understand how they might evolve and adapt to different climate, economic and regulatory conditions.

While the TCFD recommends scenario analysis, it is still relatively immature. Only 20 percent of ASX100 companies in 2019 surveyed by KPMG use scenario analysis to model the impacts of climate change on their businesses. Banking, electricity, and construction sectors are among the most likely sectors to use scenario analysis in their reporting of climate risk.

In relation to setting carbon targets, ASX100 businesses also currently lag their global counterparts. This likely reflects the uncertainty in government policy over the last several years. However, the Prime Minister’s commitment to reach net zero, as soon as practicable, but preferably by 2050 should assist with target setting going forward.

To better inform and support scenario analysis the CPG 229 could benefit from addressing:

- clarity as to how scenario analysis and stress testing are intended to inform management decision making and what the regulator’s expectations are in this respect;



- the development of a standardised set of metrics so that regulators can compare entities against each other in a transparent and consistent way;
- expectations for regulatory-driven scenario analysis to promote consistency across stress testing activities versus internally generated stress scenarios; and
- a potential roadmap for scenario analysis and supporting implementation timeline.

Investing in data infrastructure to better assess and report on climate risk needs to be overlaid with the requirements set out in CPG 235 Managing Data Risk. CPG 235 acts as a guidance document for businesses to adopt a holistic approach towards data governance to manage data risk, frameworks, staff awareness and support, quality and assurance. While the data used in credit risk assessment are of high quality and have gone through several layers of assurance, data used in climate change risk assessment is less mature. All data needs to comply with rigorous standards of data quality and assurance as set out in CPG 235.

Metrics used to assess the credit risk of an institution are also well known by entities and regulators; for example, probability of default. The CPG 229 would benefit from the development of clear metrics to build integrated reporting frameworks, while allowing for the risks associated with climate change to be managed internally.

**76 percent of the G250** have set carbon targets, compared to 67 percent of ASX100 companies (up from 47 percent in 2017).

**17 percent of ASX100** companies state they are reporting in line with science-based targets, with a further 6 percent stating they intend to report in line with science-based targets in the future. Whilst this places Australia at the lower end compared with other leading G250 countries, it shows some Australian companies are working towards reducing carbon emissions.

### **What about targets?**

The TCFD framework advises business to describe their key climate-related targets such as those related to emissions, water usage and other targets like energy usage in line with current or anticipated regulatory requirements or other goals. Other goals are defined as including efficiency and financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, and net revenue goals for products and services designed for a lower-carbon economy.

In describing their targets, the TCFD framework advises that organisations should consider:

- whether the target is absolute or intensity based;
- time frames over which the target applies;
- base year from which progress is measured; and
- key performance indicators used to assess progress against targets.

Importantly, where not apparent, organisations should provide a description of the methodologies used to calculate targets and measures. In practice, this is not a straightforward exercise but businesses should not shy away from commencing this analysis.

Entities can disclose key metrics and targets that they are currently using and developing to measure and manage climate-related risks and opportunities. These generally revolve around

sustainable financing, operational emissions and financed emissions. Financed emissions are emissions attributable to businesses an entity part owns or lends to. Quantitative metrics and targets are disclosed regularly in Australia in the areas of sustainable financing and operational emissions, however most entities are only at the start of their journey when looking at quantifying financed emissions.

A survey across 25 banks in Australia, Canada, Europe, the UK and the US reveals that most now have set a net zero emissions target for 2050, which includes their financed emissions.<sup>10</sup> However, based on the current disclosures it is not yet clear how this will (or can) be measured. The measurement of progress, the achievement of these net zero targets and the relevant disclosures may be linked to a bank's capability to seize climate-related opportunities; for example, through financing companies that operate more sustainably, or those that develop technologies that enable others to better tackle climate-related matters.

In addition, the geopolitical drivers and consequences of climate change and implications for the financial sector should be considered when looking at targets, noting that the Australian Government is committed to net zero emissions, preferably by 2050. While this is not a firm commitment, many larger emitters are using this as a reference point.<sup>11</sup>

While the TCFD provides clear guidance to entities around reporting targets, the draft CPG 229 does not provide advice to companies around targets. This could be strengthened following further consultation with affected entities. Clearer guidance could also address the ASX100 underperformance when compared to the G250 in setting carbon targets.

## Findings: Scenario analysis

- 5 The draft CPG 229 would benefit from further clarity around the potential development of a standardised set of metrics, how scenario analysis is intended to inform management decision making, expectations around regulatory-driven scenario analysis to promote consistency across stress testing activities and what APRA's potential roadmap and timeline look like.
- 6 KPMG considers that the draft CPG 229 could benefit from a further consultation process that would look at how current exposures and future targets could be incorporated in line with the TCFD recommendations, noting that Australia is at the beginning of its journey in quantifying 'financed emissions' - emissions attributable to businesses they part own or to which they lend.

## Conclusion

<sup>10</sup> [Climate disclosure at banks – Risks are clear, but what - KPMG Global \(home.kpmg\)](#)

<sup>11</sup> [Climate Action Plan progress report shows mining industry is investing in innovative solutions to cut emissions | Minerals Council of Australia](#)

KPMG welcomes the draft CPG 229, given it is designed to provide helpful guidance on how regulated entities can fulfil their prudential obligations in relation to climate-related risk management.

Climate change risk reporting is a relatively new development in Australia's regulatory landscape, but it will continue to gain in importance. The demand for reliable and timely climate risk disclosure will increase in the coming years and many countries that trade across borders will face mandatory climate risk disclosures in other jurisdictions. While there are barriers to disclosure in the areas of data investment and a lack of clarity around reportable metrics, this should not prevent entities embarking on their journey to disclosure climate change financial risks. The first mover advantage may provide entities with an edge over their competitors and be well received by customers, investors and other important stakeholders such as ratings agencies.

KPMG looks forward to continued engagement with APRA and industry on the development and implementation of a climate change risk regulatory framework, including this CPG229 consultation process.





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