



KPMG Climate Risk and Opportunity Disclosure

June 2023

Foreword

The next decade is crucial.

Climate change presents a challenge of unprecedented scope, velocity, complexity, and interconnectivity. As a values-driven organisation committed to fuelling prosperity in New Zealand, KPMG recognises that our climate response must reflect leading practice to build trust, deliver growth and help achieve our purpose.

We will need to navigate a range of risks and opportunities to help create a successful future, and we are committed to doing our part in tackling environmental issues – in terms of how we operate our own business and, increasingly, by helping our clients address their most critical challenges in the environmental space.



Godfrey Boyce

Chief Executive
KPMG New Zealand

In light of rapidly shifting social drivers, market forces and regulatory requirements, typified by the introduction of the Zero Carbon Act, Carbon Neutral Government Programme, and Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, KPMG is working towards its own climate-related disclosure.

Climate-related disclosures are not mandatory for our firm, but we have chosen to hold ourselves accountable to these standards as a reflection of our values, culture and strategic direction. This also allows us to walk shoulder-to-shoulder with those of our clients who are required to comply with these standards, or indeed like us have chosen to comply – with a first-hand understanding of the challenges and opportunities this process entails.

KPMG is a proud signatory of the Climate Leaders Coalition (CLC).

CLC membership demonstrates our commitment to accelerating the transition towards a zero-carbon and climate-resilient future. Much of the information related to the CLC Statement of Ambition can be found in the 'Planet' section of Our [Impact Report](#), published in 2022.

As mentioned in Our [Impact Report](#), we conducted climate-related scenario analysis at the beginning of 2022 to identify KPMG's climate-related risks and opportunities. The purpose of this report is to disclose the risks and opportunities identified through our scenario analysis process, in alignment with the new CLC Statement of Ambition requirements.

Process

To increase our understanding of climate-related risks and opportunities to KPMG's business, members of our Board and Executive Leadership team participated in a comprehensive climate-related scenario analysis process, to assess KPMG's climate risks and opportunities across three climate scenarios. Our Integrated Climate Scenarios were developed to illustrate the nature of risks and opportunities throughout the value chain which might plausibly emerge for KPMG as a result of climate-related physical and transition risks between 2022 and 2032. The time horizons encompassing the short and medium terms were selected on the basis of KPMG's flexible business model.

Participants drawn from KPMG's Board and National Executive Committee interrogated the risks and opportunities under each scenario, and explored the potential impacts and implications for KPMG's strategy, business model and financial planning.

KPMG's three scenarios 'Net-Zero 2050', 'Delayed Transition' and 'Current Policies' were developed in alignment with the New Zealand External Reporting Board (XRB) Climate Standard NZ CS 1, the Task Force on Climate-Related Financial Disclosures' (TCFD) guidance on scenario analysis for non-financial companies and guidance from the Network for Greening the Financial System.

Step 1

Interviews and literature review

A range of KPMG staff were interviewed to identify drivers of change (or 'drivers') that currently impact or are likely to impact KPMG's ability to execute its strategy over time. These drivers were categorised across the PESTLE framework: political, economic, social, technological, legal and environmental.

Our 'Sustainable Value' team developed descriptive scenario narratives under each of the scenario structures, focusing on the changing trends in KPMG's key 'drivers'.

Step 2

Development of Integrated Climate Scenarios

Step 3

Scenario interrogation workshop

Attendees interrogated KPMG's scenarios in order to identify risks and opportunities. The participants shared their insights from each scenario and summarised the material impact of the risks and opportunities on KPMG's strategy, business model and financial planning.

Climate-related risks

Climate change will increasingly disrupt our economy, society and environment. As a professional services firm, our value creation comes from our alignment with market needs, our ability to create high quality services to meet needs and the recruitment, development and retention of talent to provide those services. Therefore, our business is vulnerable to transition risks as the market shifts (or does not shift) to a low-carbon economy.

Category		Description	Type	Trigger(s)	Impact	Magnitude
RISKS	Strategy	Clients and markets	Transition	<ul style="list-style-type: none"> Clients' rising expectations for meaningful climate action 	Damage to market reputation, erosion of trust and social license to operate.	Net Zero 2050 – High likelihood and major impact Delayed Transition – High likelihood and major impact Current Policies – Low likelihood and minor impact
	Strategy	Products and services	Transition	<ul style="list-style-type: none"> Physical or transition risks driving significant demand from clients for ESG and climate-related services 	Loss of market share in crowded market of consultancies providing ESG and climate-related services.	Net Zero 2050 – High likelihood and major impact Delayed Transition – High likelihood and major impact Current Policies – Low likelihood and minor impact
	Strategy, Business model	Products and services	Transition	<ul style="list-style-type: none"> Top talent wants to work for organisations that are part of the climate change solution, not the problem 	Lower attraction and retention of top talent, limiting KPMG's ability to provide quality service offerings.	Net Zero 2050 – High likelihood and major impact Delayed Transition – High likelihood and major impact Current Policies – Low likelihood and minor impact
	Business model	Products and services	Transition	<ul style="list-style-type: none"> Increasing scope of client needs Limited in-house experience Rapid pace of change in client and market needs (e.g. climate-related legislation, regulations, professional standards, social trends, technology and physical risks) 	Damage to market reputation, erosion of trust and social license to operate.	Net Zero 2050 – Medium likelihood and major impact Delayed Transition – High likelihood and major impact Current Policies – Low likelihood and moderate impact

Climate-related opportunities

While KPMG is vulnerable to climate-related transition risks, there are corresponding opportunities to build strategic resilience and create value. The future resilience of our strategic pillars of trust, growth and transformation across different climate futures hinge on the meaningful climate action that we undertake internally, and our capability and capacity to offer fit for purpose service offerings to clients.

Category		Description	Type	Trigger(s)	Impact	Magnitude
OPPORTUNITIES	Strategy	Clients and markets	Transition	<ul style="list-style-type: none"> Clients' rising expectations for meaningful climate action 	Increased brand differentiation, enhanced market reputation and social license to operate.	Net Zero 2050 - High likelihood and major impact Delayed Transition - High likelihood and major impact Current Policies - High likelihood and major impact
	Business model	Products and services	Transition	<ul style="list-style-type: none"> Increasing scope of client needs Increased demand for ESG and climate-related services Rapid pace of change in client and market needs (e.g. climate-related legislation, regulations, professional standards, social trends, technology and physical risks) 	Increase of clients and increase in business growth in new products and services.	Net Zero 2050 - High likelihood and major impact Delayed Transition - High likelihood and major impact Current Policies - Medium likelihood and moderate impact (but increasing significantly over time)
	Strategy, Business model	Products and services	Transition	<ul style="list-style-type: none"> Top talent wants to work for organisations that are part of the climate change solution, not the problem 	Increased attraction and retention of top talent, supporting KPMG's ability to provide quality service offerings.	Net Zero 2050 - High likelihood and major impact Delayed Transition - High likelihood and major impact Current Policies - High likelihood and major impact

Key contacts



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