



How ESG-ready is your mutual bank?

Practical guide to meeting your ESG requirements

21 June 2022



How ESG-ready is your mutual bank?



Our host and speakers today



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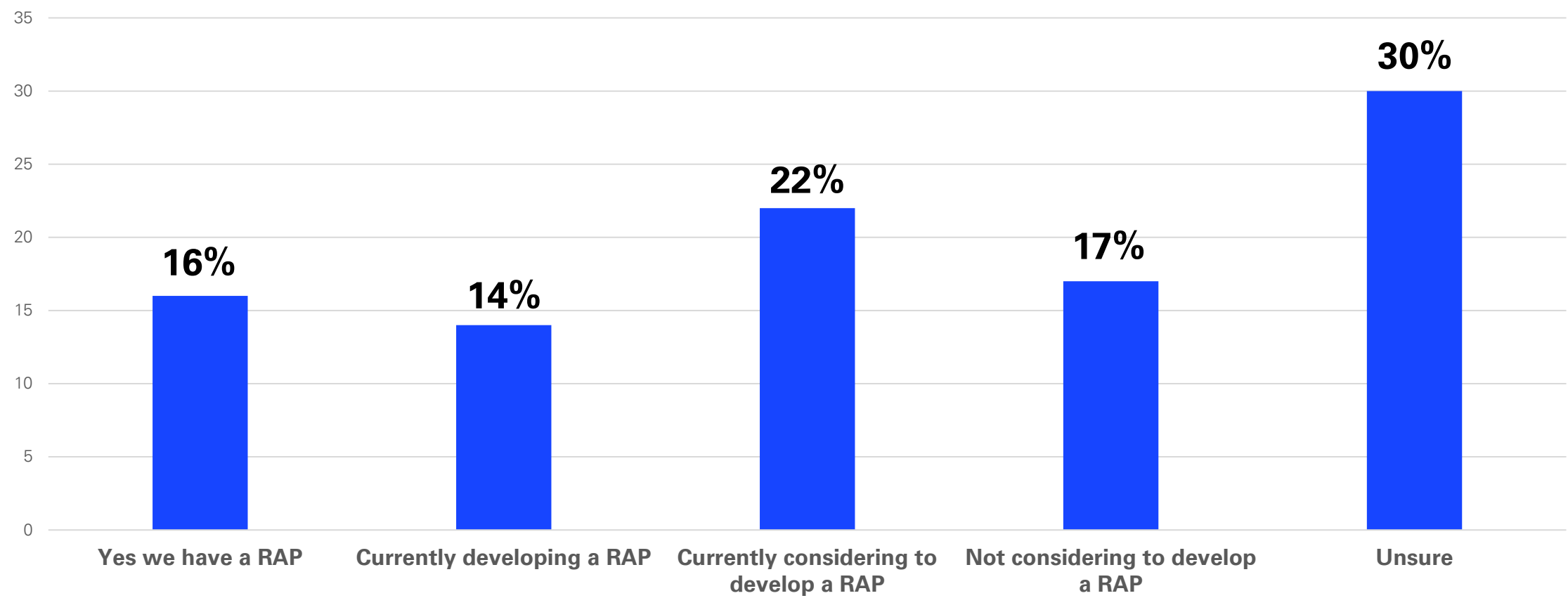
Paul Lichtenstein

Partner, Financial Risk
Management

RAP: Registration poll question



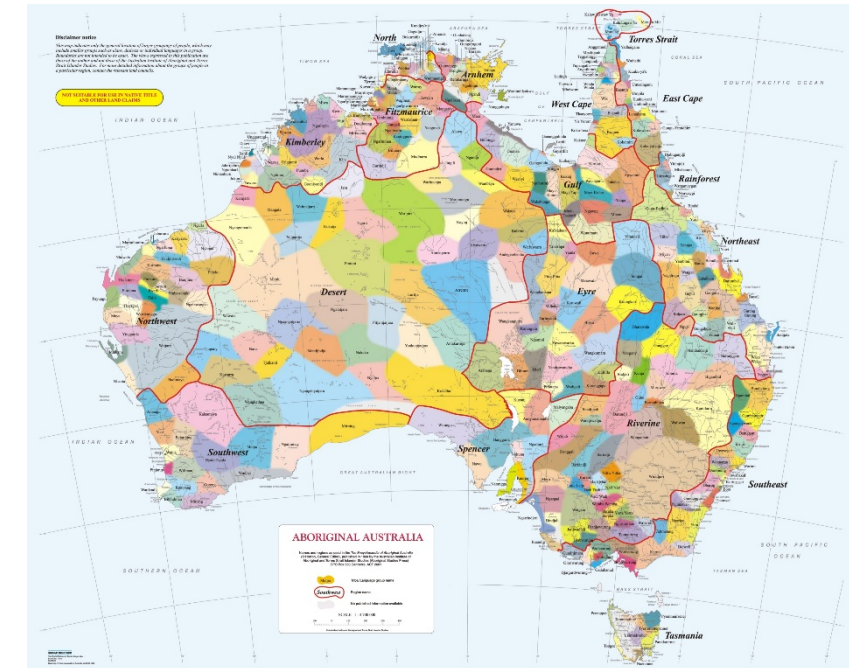
Do you currently have a Reconciliation Action Plan (RAP)?



Context setting



- 40,000 to 60,000 years of history. Oldest continuing culture in the world.
- Approx. 200 nations and over 500 language groups.
- Colonisation wiped out many of these nations.
- White Australia Policy, assimilation: designed to breed out Aboriginality.
- Government intervention in Indigenous communities, forced removal of children, deaths in custody - All of this is still happening today.
- <3% population but 30% of prison population (ABS 2021).
- Gap in life expectancy is approx. 8-10 years.
- Australia is the only Commonwealth country that doesn't have a treaty with it's First Peoples



"In all my years of research in criminal justice, I can tell you it would be very difficult to find a white person charged with shouting or swearing."

Dr Brian Steels, restorative justice researcher, Murdoch University

Source: <https://www.creativespirits.info/aboriginalculture/law/aboriginal-prison-rates#ixzz5XvC7VRDx>

The role of business



**Access to resources,
people, knowledge
and skills**



**Ability to take timely
practical actions,
e.g. employment,
sponsorship,
procurement etc.**



**Increasing
expectations of
stakeholders to
contribute to
communities**

What is Reconciliation?



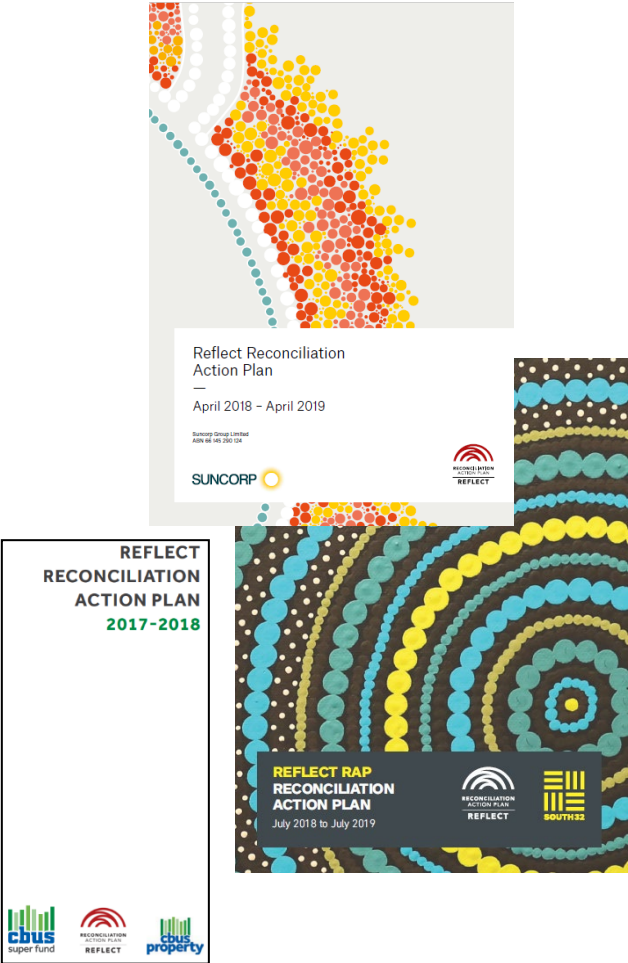
...To unite and reconcile Indigenous and non-Indigenous Australians. It is the purpose of Reconciliation Australia, who are guided by their Five Dimensions of Reconciliation Framework:



What is a RAP?



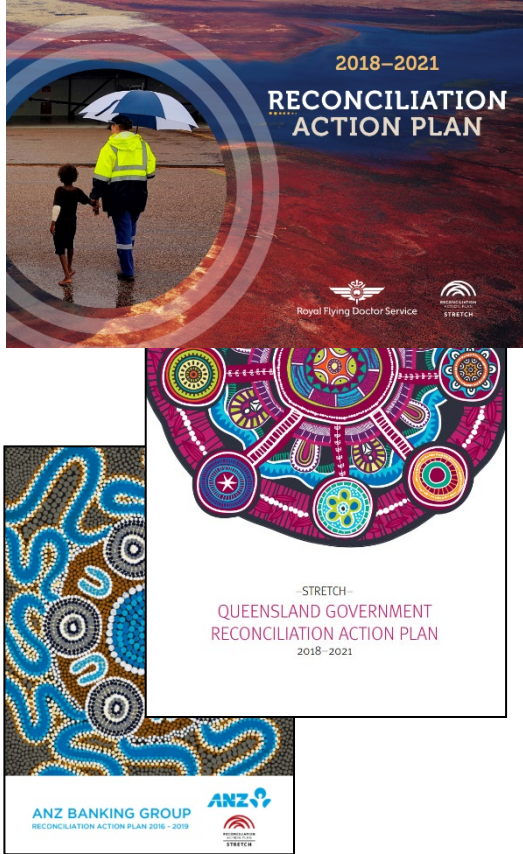
Reflect



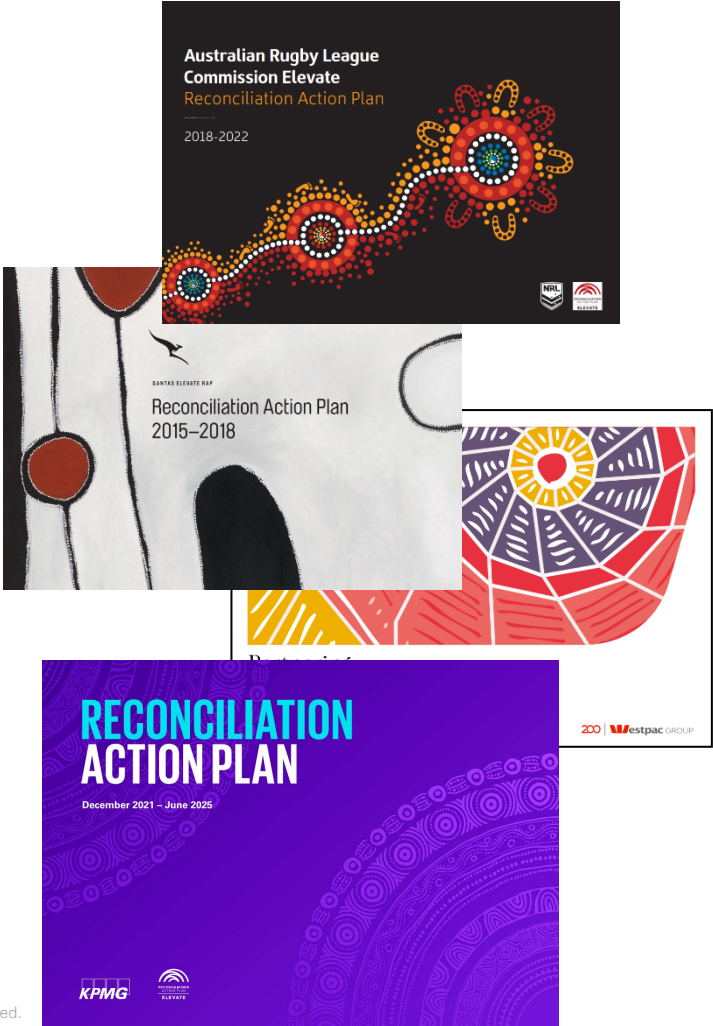
Innovate



Stretch



Elevate



KPMG's Reconciliation Journey



- 2007:** Commenced our partnership with Jawun Indigenous Corporate Partnerships and became a founding member of AIMSC, now Supply Nation.
- 2009:** KPMG became the first major accounting firm in Australia to launch a RAP. First year of partnership with the Australian Indigenous Education Foundation (AIEF)
- 2012:** Winner of CIPSA 'Best Example of Socially Responsible Procurement' award.
- 2013:** Launched our first Elevate RAP, becoming the first big 4 to do so.
- 2014:** Awarded a Human Rights Business award for our rights-centred approach to Reconciliation.
- 2015:** First big 4 accounting firm to hire a dedicated resource for Indigenous employment, now Indigenous Inclusion Manager.
- 2016:** As part of the Elevate cohort, we helped to establish the Emerging Indigenous Executive leaders Program. We have had a KPMG participant each year since its launch in 2017. Entered into a Joint Venture with Arrilla and Shelley Reys AO becomes KPMG's first Indigenous Partner. Published our first thought leadership paper on driving economic growth for Indigenous Australia in [Igniting the Indigenous Economy](#).
- 2017:** 2017-2020 [Reconciliation Action Plan \(RAP\)](#) became our second 'Elevate' RAP.
- 2019:** Signatory to the Uluru Statement from the Heart.
- 2020:** Piloted Yarpa Grow with the NSW Local Aboriginal Land Council
- 2021:** Indigenous Voice to Parliament feedback submission. Launched first Indigenous Peoples Policy. Launched 3rd Elevate RAP in December

KPMG's 2021-25 Reconciliation Action Plan



For our People: Indigenous Cultural Safety Plan

Develop a Cultural Safety Plan and measurement framework to improve the cultural awareness and competency of our people and ensure KPMG's Indigenous staff are respected and valued. This will be informed by research, the opinions and experiences of KPMG's Indigenous Network and select external partners.

For Indigenous Business: Indigenous business accelerator

Continue to expand the Yarpa Grow Indigenous Business Accelerator program nationally, contributing to the growth of the Indigenous business sector and contributing to increased economic empowerment for Indigenous peoples.

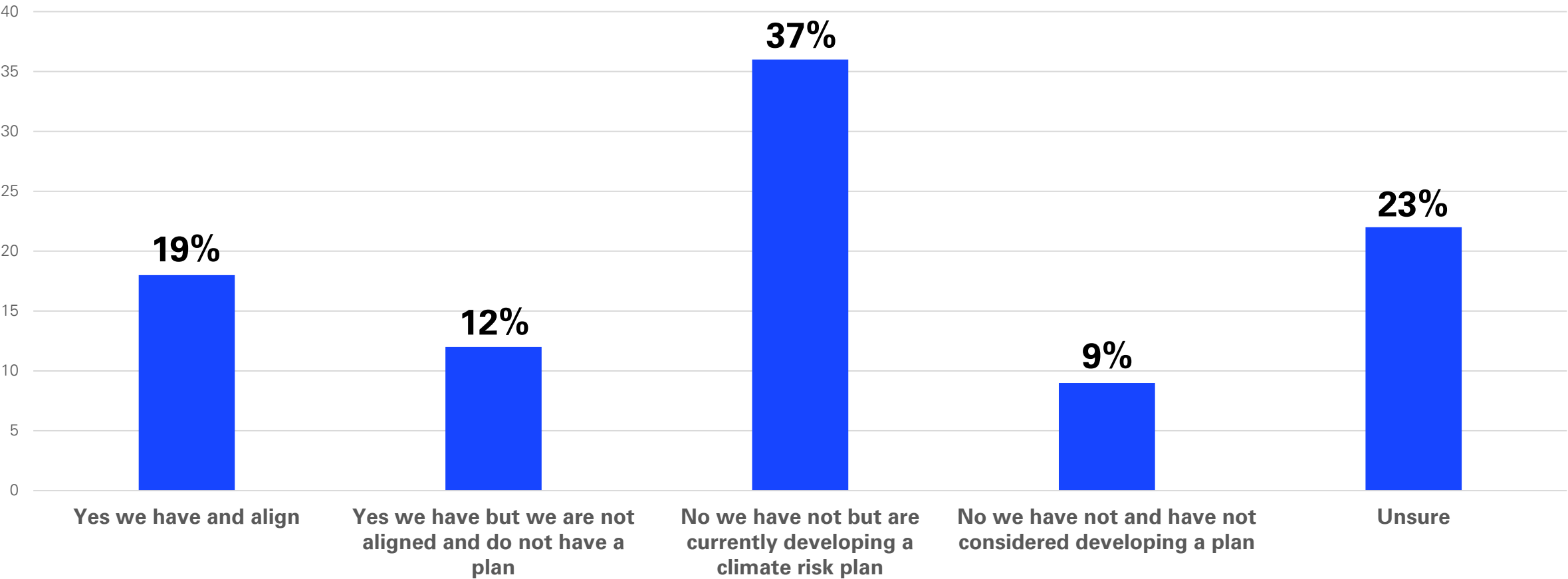
For the Community: Collaborative approach to Indigenous Suicide Prevention

Using KPMG's networks, resources and relationships to identify the right partners to work collaboratively with to develop an approach to Indigenous Suicide Prevention.

APRA CPG 229: Registration poll question



Have you assessed your readiness to align with APRA’s CPG 229 Climate Change Financial Risks guidance?



APRA CPG 229 Climate Change Financial Risks Summary



APRA finalised CPG 229 in November 2021 and is designed to provide guidance on how regulated entities can fulfil their obligations in relation to climate-related risks. APRA is seeking to ensure that regulated institutions manage the risks and opportunities that may arise from a changing climate in line with APRA's approach to other risks. Regulated entities should leverage the guidance in CPG 229 to assist in meeting their obligations under SPS 220 (Risk Management) and SPS 510 (Governance). CPG 229 almost entirely leverages the structure of the TCFD recommendations – How well placed are you currently?

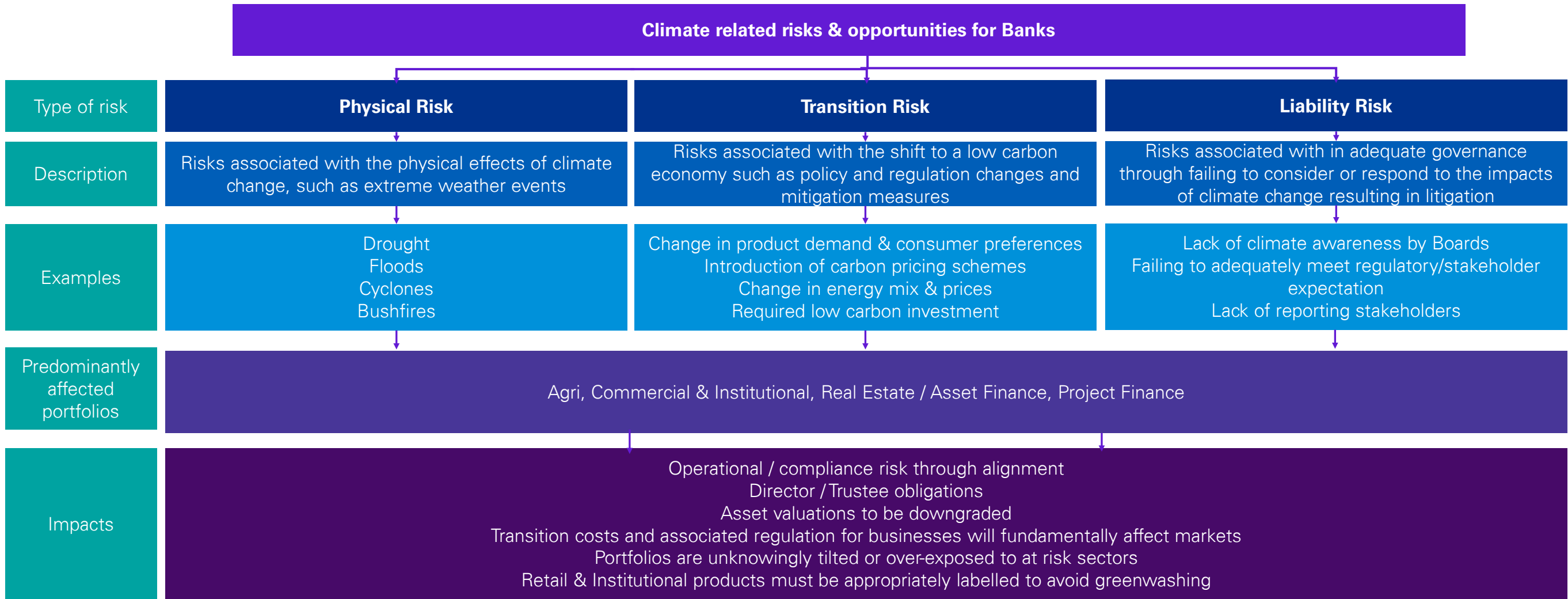
CPG 229 Objectives

- Ensure climate risks are incorporated into business planning, including adequate board oversight
- Understand risks and opportunities that may arise from a changing climate
- Ensure investment, lending, and underwriting decisions are well-informed
- Implement proportionate governance, risk management, scenario analysis and disclosure practices

Better practice in management of climate change financial risks:



Impacts for regulated entities



Observations so far...



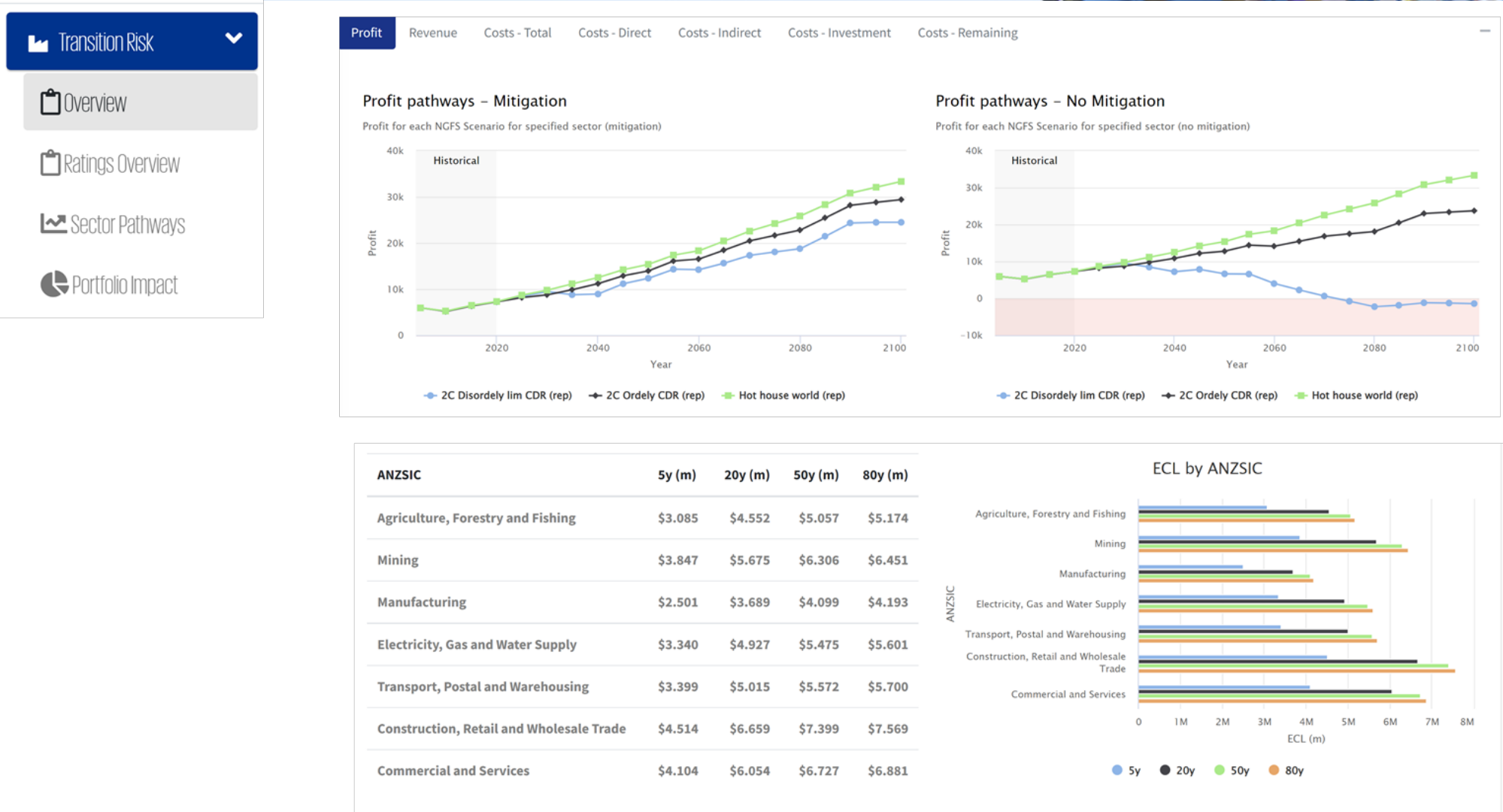
Key observations from APRA CPG 229: Climate Change Financial Risk reviews

1. Climate risk must be integrated into an organisation's strategy and business planning cycle and integrated into investment and risk management processes
2. Boards can delegate climate risk management but delegation must be consistent, clear, transparent and effective
3. Climate risk metrics, including approach to scenario analysis, must be appropriate for the organisation, cover a range of climate risks and consider risks across the whole of investment portfolio
4. An organisation's Risk Management Framework should include a clear approach to climate risk, KRIs where appropriate and reflect delegation
5. Reporting to stakeholders on the approach and progress of managing climate risk is important and becoming expected – but avoid greenwashing!

Climate risk stress testing



Climetric – Transition Risk



ANZSIC	5y (m)	20y (m)	50y (m)	80y (m)
Agriculture, Forestry and Fishing	\$3.085	\$4.552	\$5.057	\$5.174
Mining	\$3.847	\$5.675	\$6.306	\$6.451
Manufacturing	\$2.501	\$3.689	\$4.099	\$4.193
Electricity, Gas and Water Supply	\$3.340	\$4.927	\$5.475	\$5.601
Transport, Postal and Warehousing	\$3.399	\$5.015	\$5.572	\$5.700
Construction, Retail and Wholesale Trade	\$4.514	\$6.659	\$7.399	\$7.569
Commercial and Services	\$4.104	\$6.054	\$6.727	\$6.881

ECL by ANZSIC

Note: Following completion of our internal risk clearance processes, KPMG Climetric will be made available to clients



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Climetric – Physical Risk



- Physical Risk
- Cyclones

Bushfires

Flood (fluvial)

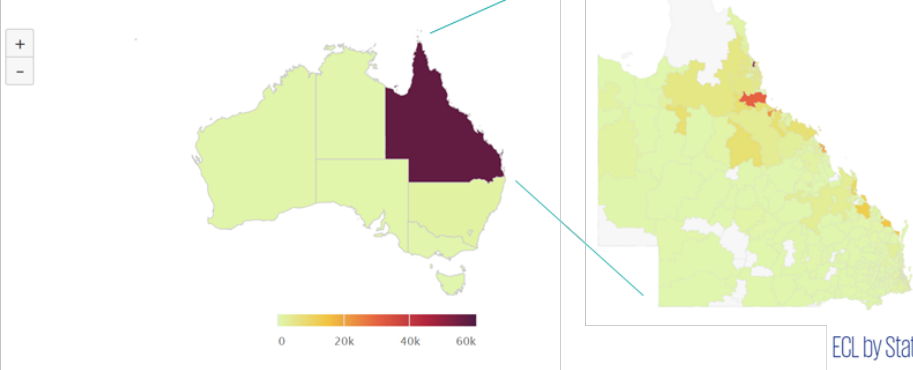
Flood (pluvial)

Coastal Inundation

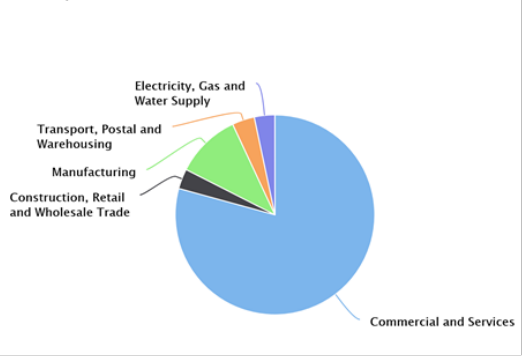
Drought Stress

Heat Stress

Cyclones ECL Impact by RCP



RWA by Sector

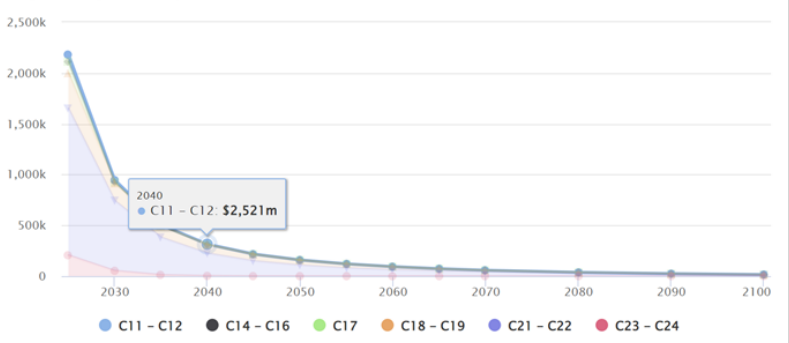


ECL by State

State	Exposure (m)	RCP1.9 (m)	RCP2.6 (m)	RCP4.5 (m)	RCP8.5 (m)
Queensland	\$25,942.037	\$4.556	\$4.613	\$4.679	\$5,554.061
New South Wales	\$14,426.071	\$0.414	\$0.416	\$0.417	\$0.597
Victoria	\$7,164.787	\$0.168	\$0.168	\$0.168	\$0.196
Western Australia	\$3,733.866	\$0.092	\$0.093	\$0.093	\$80.386
South Australia	\$1,285.523	\$0.033	\$0.034	\$0.034	\$0.078
Australian Capital Territory	\$860.001	\$0.023	\$0.023	\$0.023	\$0.023
Tasmania	\$386.601	\$0.009	\$0.009	\$0.009	\$0.009
Northern Territory	\$163.750	\$0.005	\$0.005	\$0.006	\$1.169
Total	\$53,962.637	\$5.301	\$5.361	\$5.429	\$5,636.519

Marginal ECL (\$)

Marginal ECL by sector for specified scenario



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Q&A





Thank you





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