

Empowering banks with actionable climate data

How KPMG is putting climate risk at the heart of digital transformation



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As the financial world increasingly grapples with the realities of climate change, regulators and banks are at the forefront of ensuring that the banking sector is resilient and prepared. For Hong Kong, a global financial hub, the stakes are particularly high.



Regulators regularly release new expectations for how banks should manage climate risks, but often, the banks will go back to the regulator and ask: 'How can we get hold of the relevant climate data?'

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What was the challenge?

The banking industry needed robust mechanisms to identify, measure, and manage climate risk, including physical climate risks – such as those arising from flooding, typhoons, and other extreme weather events. These risks pose significant threats to the value of properties that serve as collateral for loans. In the EU, climate hazards were estimated to have caused EUR 52 billion in economic losses in 2022 alone¹.

However, managing climate risk is no small feat. This new area of risk management is fraught with challenges, including a lack of expertise, established methodologies, and in particular – reliable data.

Our solution: a first-of-its-kind technology solution for the banking industry

KPMG professionals collaborated with a major Hong Kong regulator to develop a digital transformation initiative, creating an industry-wide platform tailored to empower banks to measure and analyse the physical climate risks associated with their property collateral.

The transformative outcome: empowering banks with precision and insight

By integrating data from trusted official local sources, the solution includes a climate risk-related database, enabling the local banking sector to obtain data to perform their own physical risk assessment for various hazards. The solution also includes an analytical tool, offering banks a detailed view of potential vulnerabilities and puts reliable measurement at the root of risk management.

One of the most transformative aspects of the solution lies not only in its capacity-building but also in its two unique selling points: accessibility and scalability. Instead of merely providing banks with a one-size-fits-all numeric value for risk, it gives users an understanding of how the risk values are computed, leaving the door open for continuous improvements and better user-feedback.

¹ European Environment Agency, <https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related#:~:text=Between%201980%20and%202022%2C%20weather-%20and%20climate-related%20extremes,in%202021%20and%20EUR%2052.3%20billion%20in%202022>