KPMG

Climate Disclosure Statement

Prepared in alignment with the objectives of the Aotearoa New Zealand Climate Standards

This Statement covers the period of 1 January to 31 December 2023

Reflections on our progress in 2023

We believe in fueling prosperity for all New Zealanders.
Tītokona tō tātou tōnuitanga, mō Aotearoa, mō tātou.

Care for the land, care for the people, go forward.
Manaaki whenua, manaaki tangata, haere whakamua.

Climate change presents an immense challenge – one of unprecedented scope, urgency and consequence – and one that will impact all of us.

At KPMG we believe in fuelling prosperity for all New Zealanders – including playing our part to address climate change. Our mission is clear: not only do we aim to change how we operate our business, but we also strive to join with and support our clients as they also address climate change and broader sustainability issues.

In our Impact Report in 2022 we committed to aligning ourselves with the Aotearoa New Zealand Climate Standards, issued by the External Reporting Board (XRB), on a voluntary basis. This Climate Statement represents an initial step in providing more information on how we are bringing life to our commitment to play our part in helping to drive change towards a sustainable and resilient future, and being transparent and open about our journey.

This Statement highlights the progress made to date and, just as importantly, it acknowledges that we are just beginning and there is much more we need to do.

Our focus in 2022 was to complete a scenario-based risk and opportunity assessment. This was a valuable opportunity for us to better understand the challenges we face under different climate futures. However, as we looked to take action on our risks and opportunities, we realised that we needed much clearer ownership and accountability at the Executive Management level to effectively respond.

Our focus for 2023 was to establish our internal climate-related governance and leadership structures and to assign responsibilities, including strategic and operational ownership of climate-related risks and opportunities.

We saw this as a critical step in paving the way for a deeper strategic response. We decided that the best approach to embed climate change responses into our business was to integrate the oversight and management of wider ESG (Environmental, Social, and Governance) risks and opportunities into our current structures. Our climate response is embedded within this ESG structure as a critical pillar under 'Environmental'. This will set us up for action, accountability, and oversight across a range of ESG topics going forward – including climate change.

We also recognised the need for new structures to streamline our ESG activities, reporting and planning across the business, and to bring together those with ESG responsibility on a regular basis. This has led to the establishment of an ESG Steering Committee chaired by our Chief Executive. This body brings stronger strategic coherence to our ESG activities and, through the Chief Executive, will report to the National Executive Committee to bring the necessary leadership accountability.

This is more than a tick box exercise – this is about creating change throughout our business.

We have taken tangible steps to initiate genuine change within our business and, like many of our clients, we have learned that real progress is hard and can take longer than hoped.

We are gaining momentum, but there is still a lot to do.

In 2024, with the right internal structures in place, we plan to evolve our strategic and operational response. We will revisit our climate-related risks and opportunities, as our approach to scenario-based risk and opportunity assessments has matured significantly since we completed our first assessment.

We have previously developed a number of goals and objectives as part of our response - a combination of targets aligned with KPMG International's targets, as well as others reflecting our local context. The metrics and targets of our KPMG IMPACT programme are a particularly high priority as these represent our work in supporting the climate responses of our clients and broader community. As we develop our response, we plan to enhance our metrics and targets to better monitor progress.

We have disclosed against the four domains set out in the Climate Standards: Governance, Strategy, Risk Management, and Metrics and Targets. This Statement replaces our 'Climate Risk and Opportunity Disclosure' that was published in June 2023 to meet our commitments as a member of the Climate Leaders Coalition.

In future, as our response matures and becomes integrated across the four domains, we intend to develop a more integrated approach to disclosing our progress.

This Statement is published as part of a reporting suite, which also includes our Impact Report. We plan to report annually, with our next report due to be published in the first half of 2025.

Our response to date at a glance

Governance

Assigned climate-related roles and responsibilities within our governance and management structures.

Formed our ESG Steering Committee to coordinate our strategic and operational climate-related activities, in addition to covering a wider range of ESG-related topics.

Progressing the ways in which the ESG Steering Committee will interact with our existing management structures and across the business.

Strategy

Completed a scenario-based risk and opportunity assessment (2022).

Responding to climate-related risk and opportunity through our continued investment in KPMG IMPACT.

Refreshing our climate-related scenarios and repeating a scenario-based risk and opportunity assessment to more formally develop our climate-related transition planning.

Risk Management

Managing aspects of climate-related risk under our enterprise-level ‘ESG’ risk.

Created responsibilities and structures for the way climate-related risk will be managed within existing KPMG risk management structures.

Integrating climate-related scenario analysis into our existing risk identification and assessment structures, to enhance our understanding of how climate interacts with other risks in our enterprise and divisional risk registers.

Metrics and Targets

Making progress towards our greenhouse gas reduction targets.

Measuring the progress of our strategic response - KPMG IMPACT.

Refresh metrics & targets in alignment with scenario analysis process.

Progress areas **Focus areas for 2024**

Governance

In 2023, we embedded climate-related roles and responsibilities within our existing structures, but also recognised the need for new ones – such as our ESG Steering Committee. An outline of our governance and management structures can be found on the following page.

Our Board, chaired by the Executive Chair, is responsible for oversight of our climate-related risks and opportunities.

Updates from the Chief Executive and Chief Operating Officer/Chief Financial Officer (COO/CFO) are provided to the Board on a range of relevant strategic initiatives including climate change.

The National Executive Committee (NEC) is responsible for the management of our climate-related risks and opportunities.

Currently, the NEC receives regular reporting from the business on climate and ESG-related topics, such as monthly operational and risk reporting and quarterly IMPACT reporting (see Strategy section). With the introduction of our ESG Steering Committee (Steerco), we will enhance the content, frequency, and reporting related to climate and ESG in our NEC meetings, through post-Steerco meeting progress reports from the Chief Executive.

In 2023, we prioritised assigning climate-related roles and responsibilities to NEC members (and delegates) with existing responsibility for risk, strategy, growth, and brand. While the NEC oversees climate-related activity as a whole, these members now have specific responsibilities and together with the Chief Executive form our ESG Steering Committee.

The ESG Steering Committee coordinates our strategic and operational climate-related activities, in addition to covering a wider range of ESG-related topics.

The purpose of this group is to coordinate our ESG response (including climate) across the organisation and avoid siloed activities. Although only climate-related roles and responsibilities have been delegated to each member within the group so far, the group's remit extends beyond a climate focus to provide a platform for integration of all ESG-related activities in the future. The ESG Steering Committee meets at least three times annually.

In order to equip those with governance responsibilities with the necessary skills and competencies to effectively oversee climate-related risks, opportunities, and its integration into strategy, we have designed a mentoring programme for ESG Steering Committee members in 2024. This programme pairs ESG Steering Committee members with internal climate and ESG expertise to support the members to embed ESG into their existing roles. This will supplement other ESG training developed by the firm.

This committee will also be supported by climate and ESG expertise from within KPMG as needed.

Climate-related performance metrics are not currently incorporated into partner and/or governance remuneration policies.

At the moment our remuneration strategy adopts a balanced scorecard approach, ensuring that various performance metrics and factors are taken into consideration when determining compensation. As we build our climate and wider ESG response, consideration will be given as to how climate-related metrics could be effectively incorporated into this scorecard approach.

Governance summary

Board Level

KPMG New Zealand Board

Executive Chair and partner representatives.

Responsible for overseeing the integration of climate-related risks and opportunities into strategy, approving strategic/business plans, budgets, and climate-related metrics and targets.

The Board ensures that appropriate risk management processes are carried out by the Chief Executive and the National Executive Committee. The Board receive regular reports from the Chief Executive and CFO/COO on strategy and operations.

Executive Level

National Executive Committee (NEC)

Chief Executive, CFO/COO, Chief People and Inclusion Officer, General Counsel, National Risk Management Partner, and National Managing Partners.

Responsible for integrating climate-related risks and opportunities into KPMG's long-term strategy, setting and approving metrics and targets, reviewing ESG and climate-related risk on an annual basis as part of our top-down risk management processes.

The NEC assess the adequacy of climate-related leadership and approve the strategic priorities and annual investment budget. From 2024, the NEC will receive regular reporting and relevant guidance from the ESG Steering Committee on climate and ESG-related risks and opportunities.

Senior Level

ESG Steering Committee

Chief Executive, CFO/COO, Head of IMPACT, National Risk Management Partner, National Managing Partner for Brand and Growth

The Committee is chaired by the Chief Executive, who is responsible for the overall integration of climate-related risk and opportunity into strategy. The Chief Financial Officer/Chief Operating Officer (CFO/COO) manages the ESG enterprise-level risk and the integration of ESG (including climate) into operational, financial and investment activities of the firm. The Head of IMPACT is responsible for our KPMG IMPACT strategic response and delivery.

Our National Risk Management Partner is responsible for our risk processes and management of climate-related risks arising from service delivery. Our National Managing Partner - Brand and Growth is responsible for our strategic climate opportunities.

The Chief Executive will report on progress of the ESG Steering Committee to the NEC after each of its meetings and to the Board through his regular updates.

Business Level

Operations

National Operations Director

Responsible for monitoring performance against greenhouse gas metrics and reporting to NEC on performance at least annually.

IMPACT

Head of IMPACT

Responsible for reporting progress on KPMG IMPACT (which includes our strategic response to climate-related risks and opportunities) to the NEC quarterly. Receives reporting relevant to KPMG IMPACT from IMPACT Proposition Leads, National Industry Leads, and Client Lead Partners.

Risk

National Risk Management Partner

Responsible for reporting enterprise-level risks (including ESG risk) to NEC monthly. Functional Risk Management Partners, Executive Team, and the Legal Department report divisional risks (including climate-related risk, if identified) to the National Risk Management Partner annually.

Strategy

We are already seeing the impact of climate change in New Zealand – through the increase in severity and frequency of extreme weather events and the socio-economic and market changes relating to the transition to a low-carbon economy.

We identified the key climate-related risks and opportunities to our strategy and business model using climate-related scenario analysis. An overview of the scenario analysis process and scenarios used can be found in Appendices 1 and 2. Our key risks and opportunities are presented on the following page.

Physical risks – as a professional services firm that does not own physical assets, our direct physical risks are lower than other organisations.

While long-term time horizons were not included in the scope of our scenarios, we recognise that physical risks will sharply increase in likelihood and magnitude under a 'Current Policies' scenario. Physical risks such as an increase in extreme weather events will create health, safety, and wellbeing concerns for our people. Additionally, both acute and chronic physical hazards will place increasingly intense stress on our clients' assets and operations as well as the broader environment, society and economy in which we aim to create value. In this way, the risks that our clients face become our physical climate risks as well. We recognise that our organisation and our clients are already facing the impacts of physical risk, so this is both a current and future risk.

Transition risks – risks that arise from shifting to a low-carbon economy – are a critical concern for KPMG.

Our business is vulnerable to transition risks as clients' needs shift as a result of the transition (or lack thereof) to a low-carbon economy. This risk is already impacting our business as we have seen a shift in client needs and expectations over the past few years. Climate-related transition risks can impact almost all aspects of KPMG's business, but will particularly threaten our 'Growth' and 'Trust' strategic pillars. Change may occur rapidly in climate-related legislation, regulations and professional standards, driving risk for the relevance of our products and services.

This risk is currently impacting us as clients are expecting new, climate-aligned services across our offerings. Failure to respond to changing market needs or expectations around climate change and sustainability will impact our market reputation, access, and relevance, leading to a loss of trust and revenue.

In 2024, we aim to refresh these risks and opportunities through a scenario analysis process aligned with our strategic planning and risk management processes.

This will create the foundations for our transition plan and will be the responsibility of our ESG Steering Committee.

KPMG New Zealand's strategy

Our key climate-related risks and opportunities

Key climate-related risks

Risk	Impact	Response
The speed, scope, and/or scale of KPMG's climate response does not meet client expectations for meaningful climate action.	Damage to market reputation, erosion of trust and social license to operate.	• Investment in KPMG IMPACT • Reducing our greenhouse gas emissions
Increased competition from new or existing players in the market developing or providing ESG and climate-related services.	Loss of market share in crowded market of consultancies providing ESG and climate-related services.	• Investment in KPMG IMPACT
Misalignment between labour market and the speed, scope, and/or scale of KPMG's climate response.	Lower attraction and retention of top talent, limiting KPMG's ability to provide quality service offerings.	• Investment in KPMG IMPACT • Reducing our greenhouse gas emissions
KPMG's product and service offerings and/or technology are not fit for purpose to meet clients' needs.	Damage to market reputation, erosion of trust and social license to operate.	• Investment in KPMG IMPACT • Integrating climate & ESG capabilities into core service offerings

+ Key climate-related opportunities

Opportunity	Impact	Response
Increasing ability to attract and retain talent by taking action on climate change that aligns with our existing authentic, values-driven KPMG IMPACT brand.	Increased brand differentiation, enhanced market reputation and social license to operate.	• Investment in KPMG IMPACT • Reducing our greenhouse gas emissions
Widening market opportunity to deliver a wide range of new climate or wider ESG-related services to clients.	Increase of clients and increase in business growth in new products and services.	• Investment in KPMG IMPACT • Integrating climate & ESG capabilities into core service offerings.
KPMG can undertake ambitious action on climate change at a speed, scope and scale that exceeds client expectations for meaningful climate action.	Increased attraction and retention of top talent, supporting KPMG's ability to provide quality service offerings.	• Investment in KPMG IMPACT • Reducing our greenhouse gas emissions

Further detail on our key risks and opportunities can be found in Appendix 3.

Our strategic response

We have assessed the current and anticipated financial impacts of our climate risks to our business at a high level.

We will refine this process in future years, but we want to be transparent about our current processes and vulnerability.

We chose revenue as the best proxy for our overall financial impact given that our operating costs are largely variable over the longer term. To assess potential vulnerability, we considered how transition shifts could impact our services over our 10 year planning horizon, assuming that no mitigating actions are taken or those that are taken are not successful. We then summarised this as potential impact on firm revenue by division.

Our vulnerability is greater in our Advisory and Audit divisions as climate change considerations and capabilities are expected to need to be incorporated into core offerings.

If our service offerings do not keep pace with climate-related developments and market needs, there is a risk that certain of our services across Advisory and Audit may not be fit for purpose, putting our revenue at risk. In Advisory, this will include both consulting offerings (i.e. supply chain and procurement advice, governance, risk & compliance services) and deal advisory offerings (i.e. transaction services and infrastructure advisory services). In Audit, this will include ESG Assurance offerings.

Unmitigated 10 Year Revenue Impact	
Division	Impact Range
Advisory	Low - Medium
Audit	Low - Medium
Enterprise	Low
Tax	Low
Whole of Firm	**Low - Medium**

While we are vulnerable to transition risks, there are corresponding opportunities to mitigate this risk and build strategic resilience and create value.

KPMG IMPACT is our strategic response to our climate-related risks and opportunities. It is the climate-related transition planning aspect of KPMG New Zealand's strategy

KPMG IMPACT helps organisations to be sustainable, resilient, and inclusive to drive positive social and environmental outcomes for Aotearoa and all New Zealanders. While KPMG IMPACT covers a wide range of ESG-related services, climate-related services are delivered either directly or indirectly under all of our five key IMPACT focus areas: climate change and decarbonisation; ESG & sustainability; economic and social development; sustainable finance; and IMPACT measurement, assurance and reporting.

KPMG IMPACT has two distinct elements: firstly, to offer a range of specialised sustainability services and, secondly, to embed sustainability thinking and skillsets into the full range of existing service offerings delivered by the firm, so that ESG becomes the watermark through everything we do.

This response aligns with our core business model of providing a range of professional services across Audit, Tax & Advisory.

Our clients trust us to deliver targeted advice, technical knowledge and industry insights that help them manage risk and embrace opportunities. Our business model relies on our alignment with the evolving needs of clients, as well as the recruitment, development and retention of talent to provide these services.

Our investment in KPMG IMPACT forms a key part of our strategic decision making and financial planning processes.

Investment in IMPACT is overseen by our CFO/COO and is subject to review and approval from both the NEC and the Board. In addition, the Head of KPMG IMPACT must develop long term and annual plans, including goals and investment needs, which are reviewed and approved annually by the NEC.

Risk Management

In 2024, we will integrate climate-related scenario analysis into our risk identification and assessment structures to increase the maturity of our climate-related risk management.

Climate-related risk is currently captured under our ‘ESG’ enterprise-level risk, which has been identified, assessed, and managed through our existing risk management structures.

Our Enterprise (top-down) Risk Management (ERM) process is conducted annually and led by the NEC. It adheres to the KPMG Global Quality & Risk Management Manual, which ensures that all member firms, including ours, maintain effective strategies to identify, evaluate, and manage risks relevant to our strategic objectives and KPMG's overall strategy, vision, mission, and values.

A key risk identified was our Environmental, Social and Governance (ESG) enterprise-level risk (see Table 1). By definition, this enterprise-level risk contains a number of aspects of our key climate-related risks identified through scenario analysis, such as our failure to meet stakeholder expectations.

Our top-down process is supported by our bottom-up approach.

We gather insights from key stakeholders in the firm through workshops, including functional leadership, our executive, legal and risk management teams. The division (bottom-up) risk identification is led by our National Risk Management Partner. These findings feed into the NEC’s ERM process.

Our existing risk management structure prioritises risks based on likelihood and impact to KPMG's strategy, business model and/or financial planning.

We recognise that this may not be the most effective way to prioritise climate-related risk due to its different velocity, impact pathways, and time horizons. Therefore, we will review how we prioritise climate-related risk in 2024.

Prioritised risks (such as ESG) are managed by risk owners, who develop, implement and manage an appropriate risk response.

This includes the processes, activities, and controls in place to manage and/or mitigate the risk or reduce the likelihood and/or severity of impact. Risk owners assess the adequacy of the risk response and document information to the National Risk Management Partner who reports to the NEC. The NEC review the identified risks, evaluate the adequacy of risk responses, and monitor the progress of actions taken to mitigate these risks to an acceptable level.

In 2024, we aim to refresh our scenario analysis in alignment with our ERM process.

This will enhance our understanding of how climate interacts with other risks in our enterprise and divisional risk registers, and contribute to how we manage all risks in the future.

Risk definition	Mitigation	Residual risk
Failing to effectively achieve our ESG objectives, and manage our ESG risks may inhibit our ability to meet our stakeholder expectations, impact our services, successfully manage our environmental footprint, and achieve our inclusion and diversity objectives.	**Investment in KPMG IMPACT**	**Medium**
Risk owner: COO/CFO, Secondary risk owner: Head of IMPACT		

Table 1. Our ESG enterprise-level risk

Metrics & Targets

We have selected metrics relevant to our business to understand the progress made. These cover KPMG IMPACT at a strategic level while greenhouse gas emissions reduction targets monitor our operational response.

While we have made progress with KPMG IMPACT, there are key areas which we want to improve and monitor in different ways. For example, we do not yet capture the environmental and societal impact of the work that we are doing with clients. We have a project underway to understand both the impact of our work and the client outcomes that we are supporting.

While we are required by KPMG Global to set an internal price of carbon, we are still investigating what price of carbon will drive genuine behaviour change within our organisation. Therefore, we do not currently use an internal carbon price. We have however set the foundations for implementing a carbon price by progressing how we measure emissions from business travel at an individual and divisional level.

As already noted in the strategy section, we have assessed the amount and/or percentage of our business activities vulnerable to transition risks or aligned with opportunities.

The current and prior year metrics for our KPMG IMPACT response and our greenhouse gas emissions targets are shown on the following pages. A fuller list of broader sustainability-related metrics can be found in our Impact Report.

KPMG New Zealand's greenhouse gas footprint

We have aligned with KPMG International commitment to achieve a 50% reduction in scope 1, 2 and 3 by 2030 from a 2019 base year. Decarbonisation is critical to curbing the harmful effects of climate change and drives our carbon emission reduction efforts which is why we have adopted a near-term science based target (SBT) In line with our global firm network to:

Decarbonise our business by 50 percent across all scopes by 2030, compared to our Financial Year (FY) 2019 baseline. Assessing progress against this target is difficult given the impact of the Covid 19 pandemic. We do not consider our emissions footprint in the FY20 to FY22 period reflect normal levels of business activity. FY23 is more representative and provides our first opportunity to test progress. Overall, we have seen a 36% percent reduction in gross emissions against our FY19 baseline year. Our main focus areas to reduce emissions have been the purchase of renewable energy, improved energy efficiency through equipment replacement and increased use of technology that has reduced some business travel. These initiatives have lead to reductions in Scope 1 and 2 emissions. However, we recognise that Scope 3 emissions associated with business travel remains our biggest challenge given the nature of our business model.

We aim to source 100% renewable electricity by 2030. In 2023, approximately 70% of our purchased electricity was certified climate positive or renewable.

We aim to reduce Scope 3 emissions from business travel by 42% by 2025 compared to FY19. In 2023 we are tracking below our pre-Covid 2019 baseline notwithstanding that our team has grown by 40% over this period. On an intensity basis, this means we achieved a 50% reduction in total gross GHG emissions per full time employee (FTE) against FY19.

To support our overarching business travel target, we have set further GHG intensity targets to reduce domestic/short haul air travel by 30% per FTE against FY19 by 2025. We are currently tracking towards a 41% reduction. Furthermore, our commitment to reducing emissions associated with land transport by 30% per FTE by 2025 has resulted in a 50% reduction to date.

Business travel is a significant source of our Scope 3 emissions and is where we have the biggest opportunity to change our internal behaviour. In 2024, we continue our efforts to reduce business travel by reducing travel budgets by 5%, and we are in the process of completing the refresh of our internal travel policy (to be launched in 2024) to include sustainability principles and encourage behaviour change.

Scope 3 value chain emissions. In 2023, we worked to address data gaps and to better understand material emission sources across our full value chain, such as emissions associated with purchased goods and services and employee commuting. Our work to date suggests that emissions associated with purchased goods and services could make up a significant portion of our total Scope 3 emissions. In 2024, our key priorities are to apply our initial learnings, close data gaps and understand the carbon impact of our value chain.

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	FY19 (base year)	FY20	FY21	FY22	FY23
Total gross emissions	3,407	1,128	869	1,695	**2,191**
Scope 1	109	64	76	60	**83**
Scope 2 (market-based)	122	43	32	35	**31**
Scope 3 - business travel	2,877	883	662	1,500	**2,037**
Scope 3 - other	298	138	99	100	**39**

1. We have measured our emissions with guidance from the GHG Protocol and the ISO 14064-1:2018 standard. An operational control approach was used to account for emissions.
2. Emission factors have been sourced from the Ministry for the Environment. 2023. Measuring emissions: A guide for organisations which primarily applies IPCC AR5 Global Warming Potentials.
3. The scope of our emissions inventory includes Scope 1, 2, and 3 emissions. Scope 3 emissions included are business travel – accommodation, air travel, mileage, taxis, rental cars, disposal of solid waste (landfilled), water, electricity and gas related transmission and distribution losses, and paper use.
4. Purchased goods and services such as computer hardware, insurance, IT services, telecommunications and meals; and employee commuting have been excluded due to low data quality. However, work is underway to improve this data and enable reporting of these sources moving forward.
5. A third party provider verifies our GHG emissions inventory annually. Please note that the verification process of our GHG emissions inventory by a third-party provider is still pending completion.

Measuring our response

An Internal Carbon Price (ICP). An Internal Carbon Price (ICP) can be an effective tool in incentivising changes in behaviour and ensure climate is integrated into our decision-making process, we are still investigating the ICP floor price that will drive genuine behaviour change within our organisation. Therefore, we are yet to formally set our ICP. We recognise that one of the primary objectives for the ICP within KPMG is to support a reduction in business travel which is a significant contributor to our carbon emissions. Hence, to establish the foundations for implementing an ICP, we are progressing by refining how we measure emissions from business travel at an individual and divisional level and will report back on our progress in setting an ICP in our next Impact Report. We have also committed to reducing travel budgets for 2024 by 5% and we are in the process of completing the refresh of our internal travel policy to include sustainability principles and encouraging behaviour change.

Nature-based removal credits. Like many organisations, we are looking beyond 2030 as we progress on our net-zero future. We also look beyond our own footprint toward ways that we can make a difference through our client work, with third parties and through what the Science-Based Targets initiative (SBTi) refers to as “beyond value chain mitigation (BCVM).” KPMG International is currently working to develop further guidance for KPMG firms on best practices and principles to inform a unified global approach for carbon credits and BVCM. In the interim, we continue to offset remaining emissions using verified nature-based removal credits and continue to prioritise the use of removal credits over avoidance credits where possible.

Investment in KPMG IMPACT. Our biggest opportunity for positive impact lays in supporting our clients in building resilience and transitioning to net zero emissions. KPMG IMPACT partner with organisations to help them drive sustainability, prosperity and growth. We are working with Māori, public and private sector organisations to drive business benefits alongside positive social and environmental outcomes for Aotearoa and all New Zealanders. We are a multi-disciplinary team drawn from across KPMG, united by our mission, and offering a unique range of complementary skills.

In 2023, we started refining metrics to support the measurement of broader environmental and social outcomes resulting from the work we undertake. Leveraging our capabilities and resources to maximise to New Zealand's prosperity. By refining these metrics, we aim to better understand and communicate the comprehensive value we bring to the communities we serve, the environment, and society as a whole.

Our target is for KPMG IMPACT to account for at least 10% of Net Fee Revenue by 2030. In 2023, KPMG IMPACT engagements accounted for around 3% of firm-wide Net Fee Revenue, growing by over 30% from 2022.

While we are still refining our impact metrics and related targets, we are tracking the growth of IMPACT-related work across our firm as displayed in the table on the right.

Additional metrics*	2022	2023
Number of KPMG IMPACT engagements	87 engagements	99 engagements
People time on KPMG IMPACT engagements	23,904 hours	31,714 hours
Number of engagement leads (Partner or Director) on KPMG IMPACT engagements:	24 engagement leads	30 engagement leads

*We are yet to set additional targets to measure progress related to these metrics.

Appendices

Appendix 1. Our climate-related scenario analysis

To increase our understanding of climate-related risks to, and opportunities for, KPMG's business model and strategy, KPMG leaders participated in a comprehensive scenario-based risk and opportunity assessment.

KPMG developed three scenarios 'Net-Zero 2050' (1.5°C by 2050), 'Delayed Transition' (1.6°C by 2050) and 'Current Policies' (>3 °C by 2050) to illustrate a wide range of climate-related risks and opportunities which might impact KPMG between 2022 and 2032. We believe our scenarios were relevant to assess the resilience of our business model and strategy to climate-related risks and opportunities for two key reasons: they explored a range of warming scenarios which drive varying risks and opportunities; and the scenario narratives were tailored specifically to KPMG's 'drivers' (broad scale external factors).

Our timeframe, covering the short to medium term, was selected due to the adaptive capacity inherent in our business model (e.g. our capital deployment horizons, our lack of long-term fixed assets) and our 10-year strategic planning horizon.

The scenario analysis process was owned by the CFO/COO but involved a wide range of KPMG Board and NEC members. No external parties or stakeholders were involved. This was a standalone analysis, but we intend to integrate future scenario analysis into our long-term strategy setting and enterprise risk management processes.

We acknowledge that our approach to conducting scenario-based risk assessments has matured significantly since we undertook this assessment in early 2022. Our approach in future assessments will reflect this, utilising the tools and approaches that we have developed.

Net-Zero 2050
1.5°C by 2050

Delayed Transition
1.6°C by 2050

Current Policies
>3 °C by 2050

Step 1 Interviews and literature review

A range of KPMG staff (including the Executive Chair and members of the NEC) were interviewed to identify '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.

Step 2 Development of Integrated Climate Scenarios

Our Sustainable Value team developed descriptive scenario narratives under each of the scenario structures, focusing on the changing trends in KPMG's key drivers. This ensured the scenarios were relevant to assess the resilience of our business model and strategy. See Appendix 2 for the scenario architecture and key assumptions.

Step 3 Scenario interrogation workshop

Members of KPMG's Board and NEC interrogated our scenario narratives 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.

Appendix 2. Scenario overview

	Net Zero 2050	Delayed Transition	Current Policies
Summary	1.5°C by 2050 - New Zealand follows global momentum to rapidly decarbonize by mid-century. The steady, rapid decarbonisation puts New Zealand on track to meet our Net Zero 2050 commitments.	1.6°C by 2050 - New Zealand undertakes climate action which is late, highly disruptive, and out of sync with the wider world. It is still possible to meet our Net Zero 2050 commitments, but drastic change must occur.	>3 °C by 2050 - Fossil-fuelled development leads to significant global warming and high exposure to physical risks. New Zealand maintains current policies, which are not enough to meet our Net Zero 2050 goal.
Data sources	Network for Greening the Financial System (NGFS) 'Net Zero 2050', Representative Concentration Pathways (RCP) 2.6, Shared Socioeconomic Pathways (SSP) 1,	NGFS 'Delayed Transition', RCP 4.5, SSP 3	NGFS 'Current Policies', RCP 6.0, SSP 5
Policy assumptions	Policy reaction to reduce emissions is immediate and smooth. The global ambition, particularly for the larger OECD economies, is to reach net zero emissions by 2050, to limit warming to 1.5°C. Government action is planned and swift.	Policy reaction to reduce emissions is delayed. Emissions do not decrease until 2030. Strong policies needed to limit warming to below 2°C. Government action is delayed and disruptive.	No policy changes to reduce emissions. Only currently implemented policies are preserved. Policy ambition of 3°C+. Weakened direction on climate action as Government detracts from mitigation. Adaptation becomes prioritised in the long-term.
Afforestation	Significant increases in both exotic and native forestry, with native forestry being emphasized in carbon as an essential development area.	Exotic forestry is prioritized and increases significantly. Native forestry does increase but to a lesser extent.	Exotic forestry dominates afforestation. Little native forestry.
Sustainable technology pathways	Strong development sustainable technologies over the medium to long term. Including collaboration and Government investment.	Delayed investments in sustainable development. More rapid, disruptive uptake in the long-term	Lagging sustainable technology uptake compared to other OECD countries. Adaptation technology starts to take off in long-term. Little to no mitigation technology.
Energy pathways	By 2050, transport, energy and industry sectors would be largely decarbonized. Around 89% of energy is renewable, with geothermal making up a large portion of total energy production (40%). Fossil fuels are still used but only make up around 15% of energy.	By 2050, there is some way to go for energy sector decarbonization, including for buildings. There was a big jump in renewable energy in the medium to long term, jumping from around 50% to around 80% of the energy mix.	By 2050, New Zealand is still reliant on fossil fuels making up around 40% of energy (oil, coal and gas), renewable making up around 60%. Some reduction in emissions due to assumed closure of aluminium and methanol plants and an increase in renewable generation ability.
Negative emissions technology pathways	Full availability CDR technology. Policy assumption of medium use	Limited availability CDR technology. Policy assumption of limited use.	Limited availability CRD. Policy assumption of limited use.
Technology assumptions	Rapid development and employment	Delayed development and inequal access	Rapid development and employment

The scenario matrix provided by UNFCCC (2017) was followed closely to carry out the matching process between SSPs and RCPs under consideration. No modelling was undertaken to develop the scenarios.

Appendix 3. Climate-related risks and opportunities - detailed

	Category	Description	Type	Trigger(s)	Impact	Magnitude
RISKS	Strategy - Clients and markets	The speed, scope, and/or scale of KPMG's climate response does not meet client expectations for meaningful climate action.	Transition	• 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
RISKS	Strategy - Products and services	Increased competition from new or existing players in the market developing or providing ESG and climate-related services.	Transition	• 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
RISKS	Strategy, Business model - Products and services	Misalignment between labour market and the speed, scope, and/or scale of KPMG's climate response.	Transition	• 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
RISKS	Business model - Products and services	KPMG's product and service offerings and/or technology are not fit for purpose to meet clients' needs.	Transition	• 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
OPPORTUNITIES	Strategy - Clients and markets	Opportunity to undertake ambitious action on climate change at a speed, scope and scale that exceeds client expectations for meaningful climate action.	Transition	• 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
OPPORTUNITIES	Business model - Products and services	Widening market opportunity to deliver a wide range of new climate or wider ESG-related services to clients, facilitated by leveraging KPMG Global IMPACT investment (such as market insights, case studies and best practice guidance).	Transition	• 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)
OPPORTUNITIES	Strategy, Business model - Products and services	Increasing ability to attract and retain talent by taking action on climate change that aligns with our existing authentic, values-driven KPMG IMPACT brand.	Transition	• 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

KPMG

Key contacts

Sarah Bogle

Director, Sustainable Value
KPMG New Zealand
sbogle@kpmg.co.nz

Jason Doherty

Chief Executive
KPMG New Zealand
jasondoherty@kpmg.co.nz

Ian Proudfoot

Head of ESG Assurance
KPMG New Zealand
iproudfoot@kpmg.co.nz

Alec Tang

Partner, Sustainable Value
KPMG New Zealand
alectang@kpmg.co.nz

Sanel Tomlinson

Partner, Sustainable Value
KPMG New Zealand
saneltomlinson@kpmg.co.nz

Simon Wilkins

Head of IMPACT
KPMG New Zealand
swilkins1@kpmg.co.nz