



CLIMATE RISK

REPORT 2025

Aligned with the Task Force on Climate-related
Financial Disclosure Recommendations



KPMG Australia's reporting suite

KPMG Australia's 2025 refresh of our Climate Risk Report builds on the inaugural 2024 edition by updating our climate-related risks, controls, and progress over the past financial year. This report includes new physical analysis covering our operations.

KPMG Australia, KPMG Fiji and KPMG PNG are covered in this report. KPMG has offices in every state and territory capital within Australia, in addition to several regional locations. KPMG PNG has two offices in Port Moresby, and KPMG Fiji has offices in both Suva and Nadi. Refer to our Governance section for further details about KPMG Australia.

We continue to report on our sustainability impacts and climate action in accordance with the Global Reporting Initiative (GRI) through KPMG Australia's Our Impact Plan and through this Climate Risk Report.

Since the release of our second Climate Action Plan 2023–2030, the climate disclosure landscape has evolved rapidly – driven by the introduction of the ISSB's IFRS Sustainability Disclosure Standards (S1 and S2) and the Australian Sustainability Reporting Standards (AASB S1 and S2).

Clients and stakeholders increasingly expect robust, transparent reporting on climate risks, opportunities, and our role in supporting the transition to a net zero economy. This 2025 report reflects our continued commitment to transparently sharing our progress and actions.

KPMG Australia's reporting suite



Our Impact Plan 2025



Climate Action Plan 2023–2030

Thought leadership



KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past and present as the Traditional Custodians of the land, water and skies of where we work.

At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander peoples are heard, understood, respected, and celebrated.

[KPMG.com/au/rap](https://www.kpmg.com/au/rap)



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Message from our Chairman and COO

I am pleased to present KPMG Australia's second Climate Risk Report aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

This report reflects our continued commitment to transparency and accountability in how we assess, manage and respond to climate-related risks and opportunities.

Globally, the International Sustainability Standards Board (ISSB) has transitioned the TCFD framework into the foundation of the IFRS[®] Sustainability Disclosure Standards. In Australia, the legislated climate-specific Australian Sustainability Reporting Standards (AASB S2) now set the national direction for climate-related financial disclosures.

This report is grounded in the enterprise-wide risk and opportunity process we undertook this year, overseen by the KPMG Australia National Board. The Board challenged and supported leadership to ensure our risk profile is responsive to the realities of a changing climate – while building organisational resilience and strengthening our ability to support clients navigating the same challenges.

We know climate-related risks will continue to evolve. The Board is committed to the ongoing governance and disclosure of climate-related risks and opportunities, along with supporting our clients with their progress in a lower carbon world.



Martin Sheppard
National Chairman
KPMG Australia

We recognise that preparing for the impacts of climate change is both a strategic responsibility and an opportunity to differentiate us as a firm. The risks and opportunities presented by a warming climate and the transition to a low-carbon economy are not hypothetical – they are here and accelerating.

In April 2025, we held our second climate risk and opportunity workshop. For the first time, this process included input from KPMG Fiji and KPMG PNG – reflecting our commitment to understanding climate risks across the regions in which we operate.

This annual review is an important mechanism that helps us refine how we manage our own climate-related exposures while considering how best to support our clients with their own management and disclosures – whether mandatory or voluntary – across multiple jurisdictions.

We are committed to contributing to a more resilient economy, society and environment, and to playing an active role in helping business and government navigate the transition. We know the pathway to net zero is complex, but we believe it is also an opportunity to create enduring value. This report reflects both our progress and our ambition.



Eileen Hoggett
Chief Operating Officer
& Head of Corporate Affairs
KPMG Australia



Introduction



Context

The physical and transition risks associated with climate change continue to intensify, underscoring the need for immediate and informed action. In 2024, for the first time on record global average temperatures exceeded 1.5°C above pre-industrial levels. This was driven by long-term greenhouse gas emissions and a strong El-Niño event.¹ This development reflects a broader trend of increasing climate-related risks to ecosystems, economies and communities.

Recent scientific assessments indicate that the global carbon budget for limiting warming to 1.5°C could be depleted within the next two years if emissions remain at current levels,² reinforcing the need for science-based near-term decarbonisation targets. Meanwhile, new peer-reviewed research highlights that even small increments of warming – such as a further 0.5°C increase – could significantly expand the regions exposed to extreme heat stress, with serious impacts on health, work, and where people can safely live.³ These warnings coincide with growing concerns over the potential triggering of climate tipping points, thresholds beyond which changes could become self-reinforcing and irreversible, furthering the deterioration within climate and ecological systems.

Despite these challenges, there is still a narrow but vital window to act. Businesses have a key role to play in shaping a low-carbon, climate-resilient economy.

Leadership that is informed by science and embedded in strategy will be essential for managing risks and to unlock new opportunities for long-term value in a changing world.

¹ WMO (2024). [Global Annual to Decadal Climate Update 2025–2029](#).

² Climate Analytics (2025). [Remaining Carbon Budget and Global Emissions Pathways](#).

³ Matthews, T., Raymond, C., Foster, J. et al. [Mortality impacts of the most extreme heat events](#).



Our climate journey

KPMG Australia believes in a fair and just transition to net zero. As a leading provider of sustainability services, we have a responsibility to lead by example by looking at the impact of our own operations and supply chain and to play a part in global decarbonisation efforts. We are working hard to halve our carbon emissions by 2030 from a 2019 baseline.

Since 2017, KPMG Australia has been committed to playing a part in global decarbonisation efforts. In 2023, we released our second [Climate Action Plan \(CAP\) 2023–2030](#).

The Climate Action Plan outlines our targets, actions, and initiatives supporting Australia's transition to a low carbon future – including our commitment to reduce our emissions by 50% by 2030 from a 2019 baseline, in line with KPMG International's global commitment.

In calendar year 2024 (CY24), our carbon emissions increased slightly – by 4% compared to CY23 – primarily due to a rise in international air travel. This reflects the ongoing challenge of reducing emissions consistently on a year-to-year basis, particularly in the context of post-pandemic travel recovery. Despite this increase, we have made progress against our 2030 target, with a 27% reduction from our 2019 baseline. Emissions reduction continues to be our primary climate action priority, and we remain focused on driving long-term decarbonisation across our operations.

For the second year, we are voluntarily publishing our Climate Risk Report in alignment with the Task Force on Climate-related Financial Disclosures, this time with the inclusion of assessments for Fiji (KPMG Fiji) and Papua New Guinea (KPMG PNG).

In doing so, we aim to give our employees, clients and other stakeholders clear, comprehensive, high-quality information on the impacts of climate change on KPMG Australia.

Publishing robust and transparent climate disclosures remains a key part of sustaining progress toward our climate action commitments.

KPMG Australia is preparing for the upcoming transition from TCFD-aligned disclosures to reporting that is in accordance with AASB S2. While our approach to climate risk assessment and disclosure remains consistent with our 2024 process, we are actively reviewing our reporting practices to ensure readiness for AASB S2 implementation.

KPMG Australia has an important role to play in supporting clients in their own decarbonisation journey.

We use our voice as active contributors to government submissions and consultations relating to climate action. We have been supporting the adoption of a globally consistent disclosure of sustainability-related information and are passionate about the role of assurance in ensuring investment-grade information, both for financial and non-financial disclosures. Our submissions this past financial year are outlined [here](#).

We believe KPMG Australia has an important role to play through the solutions and services that we provide clients to support and help accelerate their own decarbonisation transitions.

More information and case studies of our client work can be found in KPMG's [Our Impact Plan 2025](#).

This report complements KPMG International's latest global [Climate Risk Report](#) released in March 2024.



What is the Task Force on Climate-related Financial Disclosures (TCFD)?

The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to enhance climate-related financial risk disclosures. Prior to the framework's introduction, stakeholders lacked publicly available and transparent information on the plans and capabilities of businesses to transition to a low-carbon economy and adapt to a warming planet.

The TCFD has served as a market-leading standard for climate-related disclosures. Many countries and governing bodies have adopted its recommendations and encouraged business participation and action.

TCFD aligned disclosures have become mandatory in several jurisdictions, such as the European Union's Corporate Sustainability Reporting Directive (CSRD) and the UK Government's update to the Companies Act and related climate-related disclosure guidance. Further, with the adoption of TCFD recommendations in the International Sustainability Standards Board's (ISSB) climate-related and general sustainability-related disclosure standards, climate risk reporting is entering a new phase of maturity and global alignment.

The ISSB was set up in 2021 at the UN Climate Change Conference (COP26) to develop globally comparable sustainability information for the capital markets. COP28 in 2023 marked the completion of the TCFD's work and the formal disbandment of the Task Force, with its recommendations being integrated into the ISSB standards, and the International Financial Reporting Standards (IFRS) taking over the monitoring of progress on companies' climate-related disclosures.

In September 2024, the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* received Royal Assent, mandating climate-related financial disclosures in Australia effective from January 2025. The legislation requires entities to assess financial risks using two climate scenarios: one aligned with a 1.5°C pathway and another representing a high warming scenario. Under this framework, the Australian Sustainability Reporting Standard ASRS S2 became final and mandatory for certain reporting entities under Chapter 2M of the *Corporations Act 2001* (Cth), while ASRS S1 remains voluntary for the initial reporting period.

This TCFD-aligned Climate Risk Report continues to form the foundation of KPMG Australia's evolving climate-related disclosures and supports our preparation for future alignment with ASRS requirements.

Elements of the TCFD

The TCFD structured its recommendations around four key pillars for integrating climate into an organisation – Governance, Strategy, Risk management, and Metrics and targets, as illustrated below. Our report has been structured around the four pillars of the TCFD.

Core elements of the TCFD



Figure 1: Structure of TCFD



TCFD index

Our report is also aligned with the TCFD's 33 recommendations, contained within 11 disclosure areas outlined in the table below.

TCFD DISCLOSURE	RECOMMENDED DISCLOSURE	REPORT SECTION
<p>Governance</p> <p>Disclose the organisation's governance around climate-related risks and opportunities.</p>	<p>a) Describe the board's oversight of climate-related risks and opportunities.</p> <p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>Governance, page 13.</p> <p>Governance, page 14.</p>
<p>Strategy</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.</p>	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>Strategy, page 21.</p>
<p>Risk management</p> <p>Disclose how the organisation identifies, assesses, and manages climate-related risks.</p>	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organisation's processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>Risk management, page 30.</p> <p>Risk management, page 31.</p> <p>Risk management, page 31.</p>
<p>Metrics and targets</p> <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<p>Metrics and targets, page 32.</p>

A photograph showing a large stack of sandbags in the background, with a foreground of gravel. The scene is outdoors, possibly at a construction or defense site, under a cloudy sky.

Governance



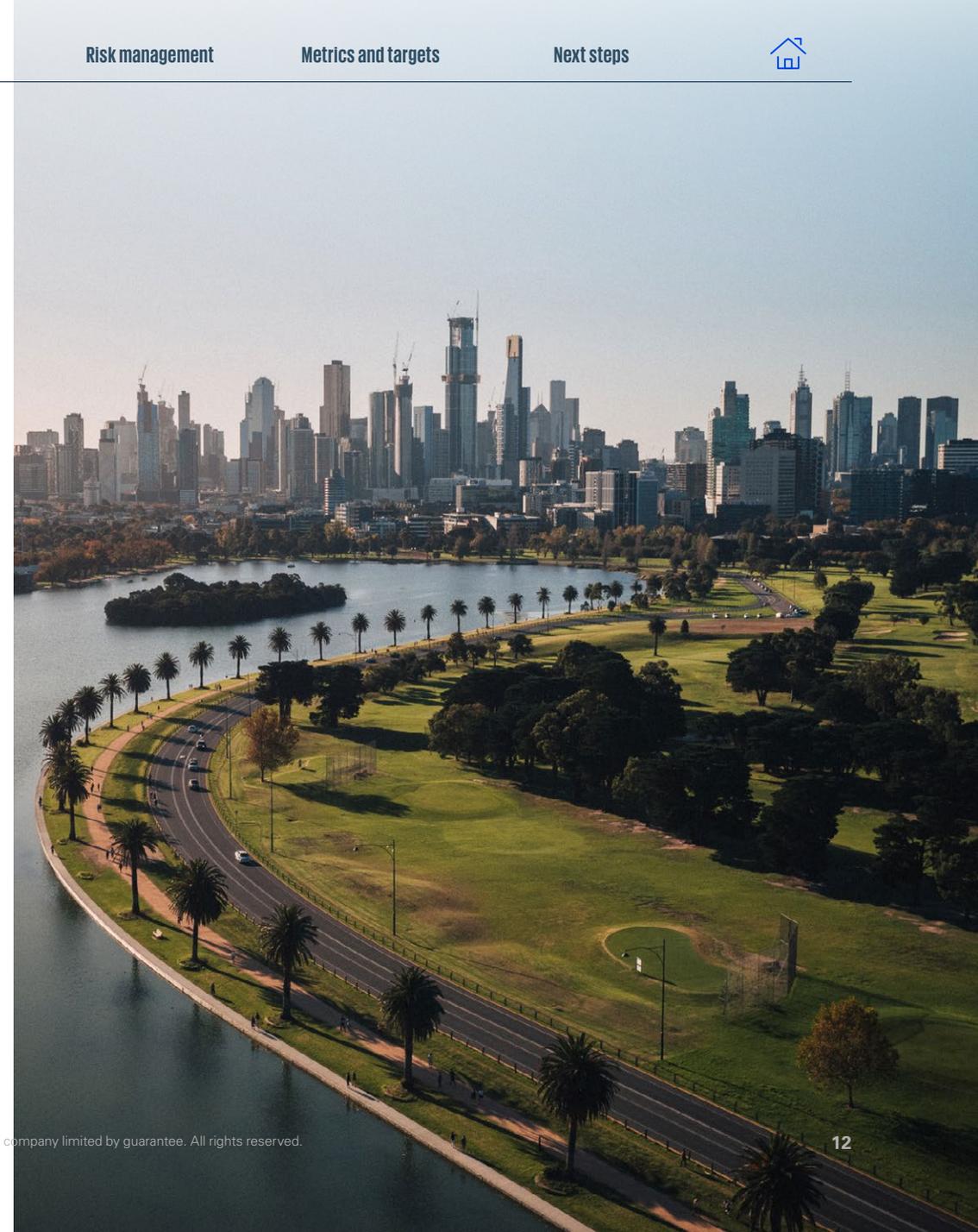
KPMG Australia

KPMG Australia, KPMG Fiji and KPMG PNG are covered in this report. KPMG has offices in every state and territory capital within Australia, in addition to several regional locations. KPMG Papua New Guinea (KPMG PNG) has two offices in Port Moresby, and KPMG Fiji has offices in both Suva and Nadi.

KPMG Australia is part of a global organisation of independent professional services firms, with more than 275,000 Partners and employees working in member firms spanning over 140 countries and territories around the world. KPMG Australia's governance arrangements are set in part by our membership of KPMG International and the associated rights, responsibilities and obligations of our network agreement. Detailed information on KPMG International's structure, leadership and governance can be found here: [Governance – KPMG Global](#) and in the Governance section of [KPMG International's Climate Risk Report](#).



Figure 2: KPMG Australia Governance Structure





Board governance

National Board

The National Board is the principal governance body for KPMG Australia. The Board approves and oversees execution of the firm's climate change strategy and ensures there are rigorous processes in place for identifying and managing risk, including the firm's impacts on people, planet, and prosperity, as well as KPMG Australia's potential financial impacts, in relation to climate change. It is responsible for oversight and monitoring of the firm's climate risks and opportunities, performance and disclosure.

The Board reviews the firm's commitments, strategies and goals on sustainable development and receives regular updates on progress against [Our Impact Plan](#) commitments and associated action plans and targets, such as our [Climate Action Plan](#) and Climate Risk Report.

The Chairman is responsible for leading the National Board, ensuring it meets its responsibilities of upholding the highest professional standards of governance, quality and integrity, and the overall strategic positioning of the firm. The National Chair represents the firm both locally and internationally.

In August 2025, the Board approved the updated Climate Change Risk Register and this second Climate Risk Report.

Our Governance, Regulation & Compliance Committee, established last year, plays an expanded role in overseeing compliance with ESG-related standards, climate disclosure obligations, and regulatory developments linked to AASB S2.

National Board skills matrix and assessment

To ensure that the collective knowledge and skills of the Board aligns with fast-moving developments and market changes, Board members receive insights from internal and external experts, including through a series of Board member Capability Sessions.

Over the coming year our Board will receive further briefings on the implementation of AASB S1 and S2, global climate disclosure trends, and the implications of emerging regulatory frameworks across our region.

Board composition and National Board Committees

The National Board is comprised of our Chairman, our Deputy Chair, the CEO and ten other members, which includes three independent directors.

Independent Board members continue to play an important role in strengthening our governance by imparting contemporary external perspectives and challenge.

The principal governing document of the firm, our Partnership Agreement, permits the Board to delegate its duties and powers and to appoint supporting committees as appropriate.

Further information on our Board and Board Committees can be found [here](#).

In August 2025, our Board approved the Climate Change Risk Register and our second Climate Risk Report.



Management governance

The Corporate Affairs team maintains oversight of the Climate Change Risk Register and develops both the Climate Risk Report and the Climate Action Plan, with support from subject experts from KPMG Australia's Climate Change and Sustainability team.

The Corporate Affairs team supports evaluating voluntary alignment with emerging disclosure obligations under AASB S2 and provides input into Australia's sustainability reporting reforms, in addition to managing the firm's carbon emissions reporting, its internal price on carbon (IPC) and the procurement of high integrity carbon credits in support of our carbon neutral claim through Climate Active.

This year again, we achieved independent limited assurance over our carbon emissions and carbon neutral claims.

In FY25, the firm's principal management body, the National Executive Committee (NEC), reviewed and approved the updated climate change risk assessment – including new physical climate risk assessments for KPMG Fiji and KPMG PNG – along with associated controls and opportunities.

The Chief Operating Officer and the Chief Executive Officer are ultimately accountable at the management level for identifying and managing climate-related risks and opportunities, and for the emissions data and performance of the Australian firm.

The Chief Financial Officer considers any financial-related risks and opportunities, and the Chief Risk Officer owns the overall Enterprise Risk Management process and the ongoing cadence of assessment and update. The Chief Risk Officer is also a core member of the firm's Climate Action Taskforce.



Risk governance

KPMG Australia has a centralised risk function, and Partners with risk responsibilities report to the Chief Risk Officer, who is part of the NEC. Every year, the NEC works to identify and assess the key risks which may impact the achievement of the firm's strategic objectives. This includes business resilience and reputational risks, which are reviewed as part of our Enterprise Risk Management (ERM) framework.

Our firm adheres to our global Client and Engagement Acceptance and Continuance (CEAC) policies and processes which are designed to help KPMG firms identify and evaluate potential risks, including relevant ESG risks, prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG's Commercial Conflicts Resolution Committee (CCRC) is responsible for reviewing, maintaining oversight of, and making decisions relating to, but not limited to, commercial conflicts, including proposed engagements, communications, or expressions of thought leadership, and external appointments, which may detrimentally impact our relationship with one or more clients.

Through our client and engagement processes and systems, particular industries and activities are flagged as high risk, warranting broader reviews. For any energy transition engagements, a review process is triggered to assess if the potential engagement is within the principles we have set.

Governance for advisory and assurance climate-related engagements

It is more important than ever to ensure that climate-related advice is provided from reputable sources with the right skillsets and experience.

Within KPMG Australia, we provide advice and assurance services across a wide range of sustainability topics including climate change. Most recently these services have included preparation for climate change related disclosure, greenhouse gas emissions assurance, climate strategy and decarbonisation planning. As regulatory frameworks evolve, our teams are actively supporting clients in mandatory and voluntary reporting including ISSB and AASB S2.

We have one of the largest teams of climate change professionals in Australia within our Climate Change and Sustainability practice; a leading Energy Transition team; as well as broader skills in CFO Advisory and Consulting – all of which are responding to clients' climate-related requirements.

Both our advisory and assurance engagements are reviewed and approved by accredited Partners, and knowledge and experience sharing within the firm provides the latest thinking and application for our clients. As a number of our clients move to mandatory climate-related financial disclosure through the ASRS, our firm is well-placed to provide the wealth of scientific-based knowledge and financial application required. We continue to invest in capability development and climate disclosure literacy to stay ahead of the rapidly maturing sustainability reporting landscape.





Strategy



Climate-related risks and opportunities

KPMG Australia is committed to creating a fairer, more inclusive and more sustainable future for our communities, and to support our clients' and Australia's transition to net zero. It is essential for KPMG Australia to build a detailed understanding of our climate risks and opportunities profile across our whole value chain.

KPMG Australia understands climate risk to be the potential for climate change to create adverse consequences for human or ecological systems that undermine financial stability. This includes negative impacts on lives, livelihoods, health and wellbeing, economic activity, social and cultural assets, as well as investments, infrastructure, services provision, ecosystems and species.

Climate risks are typically categorised as either physical or transition risks.

The transition to a low-carbon economy also presents opportunity, as capital is diverted from carbon-intensive activities to low-carbon alternatives. Understanding where and when this opportunity will emerge – and how KPMG Australia can support clients to secure that opportunity – is critical to long-term success.

Physical risk

Exposure of an organisation's assets and/or value chain to climate changes, including rising temperatures, adverse weather events such as flooding, drought and rising sea levels, and the human impact these events have on our staff, value chain and wider society. Physical risks can be acute or chronic.

Transition risk

Exposure amid the transition to a low-carbon economy that may manifest across existing risk types, including heightened regulatory, reputational, policy, legal, technology and market risks.





Our risks and opportunities

Our ambition is to be the most trusted and trustworthy professional services firm.

It is imperative that we have a robust and thorough approach to identifying, assessing and mitigating our climate risks and capturing our climate opportunities, and as such we have integrated ESG risks (including climate) in the KPMG Australia Enterprise Risk Management (ERM) framework.

The results of our climate risk assessment are set out in the following sections. Details on our risk and opportunity identification processes and our assessment of materiality of identified risks is described in the Risk management section.

In line with the KPMG International ERM process, KPMG Australia assesses our climate-related risk materiality based on three key risk-rating criteria: impact, likelihood, and time horizon.

For further information on identifying base case and scenario risks and opportunities, please see page 30 onwards.

Risk impact

We categorise risks as:



Substantive or material risks are defined as those with the potential to impact our annual revenue by 6–20%. Strategic risk is defined as risks that could impact our ability to achieve our strategy, or maintain our current business model.

Risk likelihood

The likelihood that the risk will occur is defined based on the following criteria:

LEVEL	DESCRIPTION	DEFINITION	LIKELIHOOD
1	Remote	Risk not likely to occur in the time period being considered.	<10% chance of occurrence
2	Low	Risk may occur in the time period being considered.	10–30% chance of occurrence
3	Medium	Risk likely to occur in the time period being considered.	31–60% chance of occurrence
4	High	Risk more likely to occur than not in the time period being considered.	>60% chance of occurrence

Risk time horizon

Risks are classified as short, medium, or long-term based on the time horizon of their potential impact, selected for alignment between risk management, strategy, and business planning processes.

At this point in time, we have assessed these time frames to be appropriate for the nature of our business and will continue to assess and update them when necessary.

CLASSIFICATION	TIME HORIZON (YEARS)	RATIONALE
Short	0–1	Alignment with the business planning process, and any risks associated with the short-term business objectives under this.
Medium	2–3	Alignment with the three-year period for assessing and managing risks under the ERM process.
Long	4–10	Due to the longer-term nature of ESG and specifically climate-related risks, we currently consider long-term risks up to a 10-year time period (aligning with our near-term Science Based Target – refer to the Metrics and targets section for further details). This is subject to review as we assess and manage our material ESG risks.



KPMG Fiji & KPMG PNG risk and opportunity review

As part of KPMG Australia’s commitment to expand climate risk assessments across our operations, this year’s Climate Risk Report includes for the first time a review of climate-related physical risks and opportunities in Fiji and Papua New Guinea (PNG), where KPMG member firms operate and serve local clients and communities.

Process

The results of climate modelling projections were used to develop a preliminary list of physical climate risks for each site, which were then evaluated for their potential magnitude due to projected changes in various climate variables (climate impacts) under the RCP8.5 scenario – representing the high-end warming pathway of 4°C and above.

These selected climate hazards were identified as high average annual temperatures, higher rainfall events, drought, sea level rise and cyclone frequency.

KPMG Fiji

Fiji is among the countries most vulnerable to the physical effects of climate change, due to its geographic location and dispersed island geography. The country experiences frequent and intense tropical cyclones, often resulting in infrastructure damage, power outages, business disruption, and economic loss. Cyclone activity has been increasing in both intensity and frequency, with some years seeing multiple major cyclonic events.

In addition, flooding – driven by high-intensity rainfall and rising sea levels – is a recurring challenge, with risks compounded in low-lying and coastal areas. The Intergovernmental Panel on Climate Change (IPCC) has identified the Pacific Islands as a global hotspot for sea level rise, further exacerbating risks to housing, transport, and essential services.

Despite these challenges, Fiji’s clear climate ambition – including its National Adaptation Plan and growing investment in resilient infrastructure and clean energy – presents opportunities for climate-focused advisory and assurance services.

	 Higher annual temperatures	 Higher rainfall events	 Drought	 Sea level rise	 Cyclone frequency
SUVA, FIJI	✓	✓	✗	✓	✓
NADI, FIJI	✓	✓	✗	✓	✓
PORT MORESBY, PNG	✓	✓	✓	✓	✗

Figure 3: Climate Hazards



KPMG PNG

Papua New Guinea is one of the world's most climate-exposed nations, facing a range of geophysical and climate-driven hazards. These include landslides, soil erosion, biodiversity loss, and increasingly frequent floods and droughts, particularly in the highlands and riverine lowlands.

Climate change is likely to increase the intensity of wet and dry periods, affecting food security, water supply, and public health outcomes. Deforestation and habitat loss – driven by agricultural expansion and logging – amplify the risks of erosion and ecosystem collapse.

Many communities in PNG reside in informal or low-resilient housing, which lack sufficient weather protection or access to cooling during heatwaves. Prolonged heat and high humidity can contribute to heat stress and broader wellbeing risks, particularly where health infrastructure is limited.

As climate impacts intensify, KPMG PNG will be able to respond to the growing demand in PNG for climate-resilient development planning, nature-based solutions, and climate adaptation advisory services.

Assessment of materiality

Internal stakeholders, including KPMG Fiji and KPMG PNG market teams and operations, were engaged during a workshop to analyse, validate and prioritise risks in accordance with Enterprise Risk Management (ERM) framework. In addition to physical risk, we undertook an evaluation of transition risk associated with these regions.

Prioritisation criteria

Material risks were identified based on the likelihood/impact values criteria risks that have a 'moderate' or higher risk rating. An overview of the identified material climate risks and opportunities are provided on pages 21–26.

Mitigation and adaptation strategies

Opportunities to enhance existing risk controls were recommended where needed for each material risk during a workshop with KPMG Australia, KPMG Fiji and KPMG PNG's senior leadership. This workshop was designed to assist us in understanding material risks and how to manage them.

Operational implications

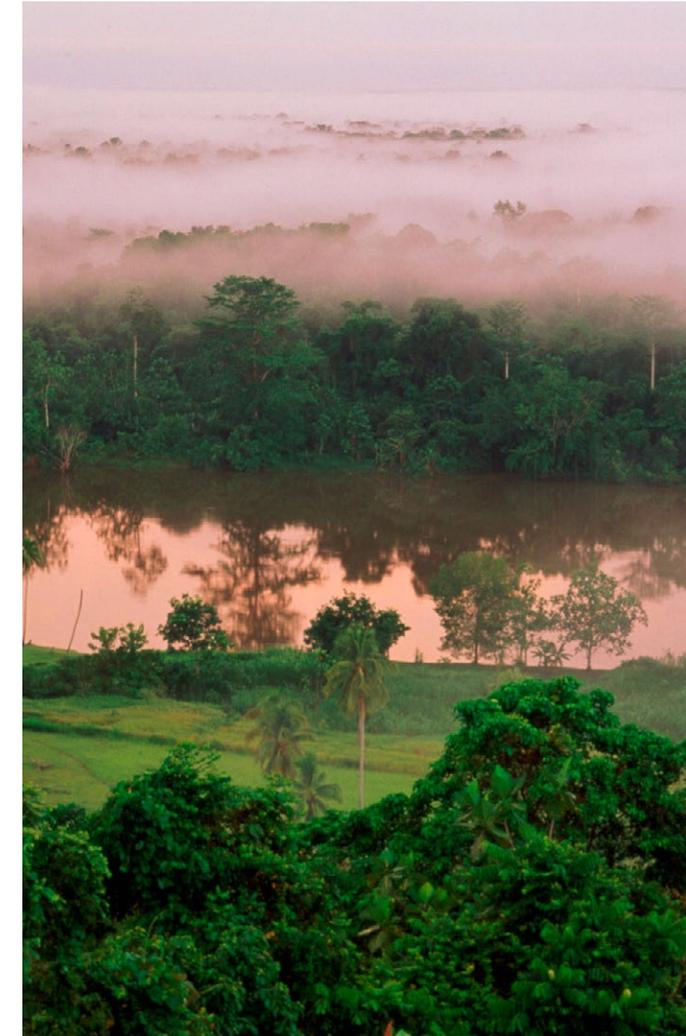
KPMG Fiji and KPMG PNG have high exposure to acute and chronic physical risks under the highest warming scenario of 4°C+. KPMG's physical exposure in these regions is primarily linked to workforce health and safety, business continuity, and client service delivery. To address these risks:

- Business continuity plans are being reviewed for climate hazard exposure.
- Evaluation of office infrastructure and remote work arrangements for resilience is being undertaken.
- People and culture strategies will consider the unique wellbeing risks posed by climate extremes.

Transition risks follow a similar profile to other Australian operations. Relevant mitigation and adaptation strategies are described in the following pages.

By expanding climate risk coverage to KPMG Fiji and KPMG PNG, KPMG continues to demonstrate leadership in responsible, place-based risk assessment and disclosure, in line with TCFD.

As we prepare for mandatory disclosures under AASB S2, we will continue to evaluate the financial implications of climate risks and opportunities across all regions.





Key climate-related risks facing KPMG Australia

RISK	CATEGORY	DESCRIPTION	TIME HORIZON	LIKELIHOOD	IMPACT	IMPACT DESCRIPTION (BAU)	KPMG AUSTRALIA APPROACH
Market/ financial risk	Transition risk	Contraction or failure of specific industry sectors with high exposure to transition risk	Long	Medium	Moderate –Major	<p>KPMG Australia’s portfolio of clients includes sectors which have a greater exposure to transition risk and greater impacts in case of failure to transition. The potential impact to KPMG Australia of businesses failing to transition include:</p> <ul style="list-style-type: none"> – Revenue loss due to reduced demand as clients’ businesses contract or fail. – Revenue loss due to reduced demand from clients incurring increased costs amid failure to decarbonise. – Failure of KPMG Australia to adapt services and products to client needs as they transition to a net zero economy, including supporting them with decarbonisation and climate transition. <p>Under a 1.5°C warming scenario,⁴ we anticipate the risk impact and likelihood to remain similar to base case. The carbon price will incentivise companies to decarbonise, and policy regime will speed up the attention and resources directed to achieve net zero. Physical impacts of climate change will be less, so productivity impacts and economic disruption would decrease.</p>	<p><i>Portfolio business model</i></p> <ul style="list-style-type: none"> – KPMG Australia has a portfolio-based business model and we are well diversified by sector and geography, which helps mitigate the potential impact of a single sector contracting. It also means we are well placed to adapt to changes across the portfolio. – We have implemented an assessment of any potential new opportunities if they are associated with the energy transition. – We constantly re-evaluate industries, sectors, and the regulatory landscape. – Within our multidisciplinary model, our core client product and service offerings have a range of ESG and climate-related products and services that are designed to support clients on their decarbonisation journey. <p><i>ESG training</i></p> <ul style="list-style-type: none"> – We will continue to upskill our people with training on ESG, climate risk and transition services, which in FY25 included 78 individual learning modules completed by over 2,800 of our people in our Degreed training platform. We also offer ESG courses with NYU Stern and Cambridge University to further advance our people’s knowledge. <p><i>Client environmental monitoring</i></p> <ul style="list-style-type: none"> – Through our clients and engagement acceptance processes, we consider the potential negative environmental impacts of prospective clients and engagements. We annually monitor and publish the carbon intensity of our client portfolio (kg CO2-e/\$) as well as the percentage of our ASX 200-listed clients which have publicly set science-based net zero targets. <p><i>KPMG Fiji and KPMG PNG</i></p> <ul style="list-style-type: none"> – KPMG Fiji and KPMG PNG locations service nine other Pacific Island nations and can leverage people and specialist resources within our Australian business where needed to support local sustainability services delivery.

⁴ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 30 of this report for further detail.



RISK	CATEGORY	DESCRIPTION	TIME HORIZON	LIKELIHOOD	IMPACT	IMPACT DESCRIPTION (BAU)	KPMG AUSTRALIA APPROACH
Market/ financial risk	Transition risk	Failure to decarbonise our operations, supply chain and property portfolio in the most economically viable way	Medium– Long	Low	Moderate	<p>There are direct financial impacts of failing to decarbonise our own operations and our supply chain in the most economically viable way:</p> <ul style="list-style-type: none"> – Increasing costs of carbon offsets. – Increased KPMG Australia costs due to potentially sourcing new renewable energy contracts, and increased cost of carbon in our supply chain. – Increased supplier costs amid more stringent climate requirements. – Increased recruitment costs with the expectation that access to talent may be reduced due to climate performance/poor reputation. <p>Each year, KPMG Australia purchases carbon offsets to cover our residual emissions and maintain carbon neutrality under the Australian Government’s Climate Active program.</p> <p>The market price is expected to significantly increase in the coming years. Additionally, there is increasing public scrutiny on the integrity of carbon offsets globally and in Australia – including investigations into credits which may have failed to deliver as claimed.</p> <p>Under a 1.5°C warming scenario,⁵ we anticipate the risk likelihood and impact severity to increase from BAU. The carbon price will increase and therefore a failure of reducing Scope 3 emissions will need to be offset with increasingly expensive carbon credits.</p>	<ul style="list-style-type: none"> – We frequently engage with stakeholders, including clients, governments, our people, the not-for-profit sector, regulators and industry bodies and the general public, to understand how their expectations around climate change issues are evolving. – We support climate and ESG initiatives beyond our value chain, including industry standards development and funding for nature and biodiversity, aligned with our Climate Action Plan. – We report carbon emissions monthly to leadership, including business air travel. – KPMG Australia has implemented an internal price on carbon (IPC) to make air travel costs more visible and accountable. Our travel policy encourages alternatives to flying where appropriate. – We have strengthened our carbon offset due diligence and are progressing toward 100% high-quality credits from Australia (ACCU) or Fiji/PNG by 2030, with a focus on nature and biodiversity outcomes. We have also increased the proportion of carbon removals credits in our CY24 portfolio. – We continue to source 100% renewable energy for all KPMG tenancies via our Renewable Energy Supply Agreement. – We track suppliers with Science Based Targets initiative (SBTi) or equivalent climate targets. – We are continuously improving Scope 3 data collection and analysis to better understand and manage our carbon footprint. – With the rapid adoption of AI, we have refreshed our AI strategy to focus on sustainability and reducing our operational footprint – including our data centres – working closely with stakeholders and suppliers. – Through our Sustainable Procurement Framework, we work with suppliers to identify and implement environmental improvements and promote knowledge sharing. – We are enhancing our methodology for calculating Scope 3 emissions from purchased goods and services and air travel.

⁵ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 30 of this report for further detail.



RISK	CATEGORY	DESCRIPTION	TIME HORIZON	LIKELIHOOD	IMPACT	IMPACT DESCRIPTION (BAU)	KPMG AUSTRALIA APPROACH
Reputational risk Financial risk	Transition risk	Actual or perceived failure to demonstrate the expected commitment to climate change	Medium	Remote	Moderate	<ul style="list-style-type: none"> – Risk of not making sufficient progress against our public climate commitments and targets. – Risk of reporting inaccurate or incomplete climate data. – Poor progress or erroneous metrics on our carbon emissions and climate targets will impact our clients' willingness to work with us as we may not meet ESG procurement requirements. This could lead to removal from government panels and loss of work. <p>Under a 1.5°C warming scenario,⁶ we anticipate the risk likelihood and impact severity to increase from BAU. There will be greater expectation for action and for KPMG Australia to play an active part in our decarbonisation. There will also be increased assurance requirements.</p>	<ul style="list-style-type: none"> – KPMG Australia has made a public commitment to reduce emissions by 50% by 2030 from our 2019 baseline. – KPMG Australia issued our Climate Action Plan 2023–2030 with clear actions and targets to support our decarbonisation commitment across operations, supply chain, clients and community partners. – We voluntarily report annually and transparently on climate action and decarbonisation progress through Our Impact Plan, which is prepared in accordance with GRI Standards. – KPMG Australia climate risk reporting is voluntary at this stage. – We have received third-party independent assurance on our emissions data and carbon neutral claim. – We renew our Australian Government Climate Active certification each year, with our public disclosure statement accessible to all online. – We have strengthened our criteria and due diligence for carbon offsets and are progressing towards procuring 100% of our offsets from the regions within which we operate, with a focus on high-quality offsets. For CY24, we have expanded our ACCUs to 38% of our credit portfolio, with focus on high quality removal offsets.
Regulation risk	Transition risk	Failure to comply with current and emerging regulation and failing to appropriately remedy/respond to regulatory requirement breaches	Medium–Long	Low	Moderate	<p>KPMG Australia is subject to an increasing number of climate and sustainability-related regulations, including potential disclosure standards.</p> <p>Failure of KPMG Australia to meet regulatory requirements may have financial and reputational impacts.</p> <p>Under a 1.5°C warming scenario,⁷ we anticipate the risk impact and likelihood to increase from BAU as regulatory requirements, consequences and targets increase.</p>	<ul style="list-style-type: none"> – KPMG Australia must comply with current and emerging regulation. – We are involved in climate-related consultation and submissions across proposed changes globally and in Australia. We leverage our internal expertise such as our Climate Change and Sustainability team and Corporate Affairs and Government Relations teams to respond ahead of time, including through voluntary publication of our Climate Risk Report ahead of regulation. – KPMG Australia has response systems in place in the event there is a breach.

^{6,7} KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 30 of this report for further detail.



RISK	CATEGORY	DESCRIPTION	TIME HORIZON	LIKELIHOOD	IMPACT	IMPACT DESCRIPTION (BAU)	KPMG AUSTRALIA APPROACH
Financial risk Health and safety risk	Acute/chronic physical risk	Frequency and severity of periodic disruption from extreme weather events on offices, other business support locations, our people, suppliers, clients and communities we operate in.	Short, Medium, Long	Medium	Moderate ⁸	<p>Extreme weather could cause KPMG Australia to suffer direct or indirect financial loss due to the impact on offices or other business support locations, our people, suppliers, clients, and communities we operate in. While KPMG Australia currently experiences periodic disruption from extreme weather events, we anticipate that the frequency and severity of these events will increase in the medium to long term, potentially resulting in:</p> <ul style="list-style-type: none"> – Increased insurance premiums or lease costs on buildings previously damaged. – Lost revenue due to business/travel disruption. – Lost revenue due to client business disruption. – Lost revenue/increased costs due to critical supplier disruption. – Loss of revenue due to wider disruption in the communities we operate in. – Health and wellbeing issues with our people due to extreme weather events. <p>In the case of severe long-term impacts such as flooding or significant temperature increases, impacts could also include:</p> <ul style="list-style-type: none"> – Costs incurred and/or revenue lost as our business, clients and/or critical suppliers need to withdraw from specific locations or relocate. – Revenue loss from significant disruption in an individual sector. <p>Under a 5°C warming scenario,⁹ We anticipate the risk likelihood and impact severity to increase significantly from the BAU base case. There may be a material impact on productivity and wellbeing from employees experiencing heat stress, respiratory irritation from bushfires, disaster disruption and other health impacts. There would also be significant and widespread economic and infrastructure impacts through our region, disrupting our operations and hindering our ability to do business.</p>	<p>KPMG Australia has well-established operational climate resilience processes that are guided by available international standards and embedded in policy where possible.</p> <p><i>Location-related disruption</i></p> <ul style="list-style-type: none"> – Our offices and other support locations are mainly leased and our property strategy factors in operational resilience, including climate factors. – Where outside and remote works are required, safety is a priority and exposure to high heat and humidity are already current issues which our clients have taken management and mitigation measures for. – Remote working arrangements allow KPMG Australia to pivot operations amid climate-related disruption. While remote work options extend to KPMG Fiji and KPMG PNG, we understand that infrastructure to support remote work is not as effective and will be considered moving forward. – High quality office accommodation is sourced for KPMG tenancies (PCA premium grade and Green Star certified base buildings when available) that would typically go through a Climate Risk Adaptation design process. – Response Framework Plans and Response Manuals are in place covering a multi-hazard and multi-risk approach. <p><i>Travel and other supply chain disruption</i></p> <ul style="list-style-type: none"> – KPMG Australia supplier and procurement processes include operational resilience requirements, with climate risk considerations being integrated into these. Remote working arrangements allow KPMG Australia to pivot operations amid climate-related disruption. <p><i>Client and wider socio-economic related disruption</i></p> <ul style="list-style-type: none"> – We are well diversified by sector and geography, which limits the potential impact of disruption in a particular sector or geographic location. – KPMG Australia undertakes ISO engagement risk assessments to identify hazards and appropriate controls. – KPMG Australia's People & Inclusion (P&I) team's risk profile captures impacts due to extreme weather events and includes disaster relief.

⁸ This impact scenario time horizon has been defined within 0-10 years. Under a 2050 or longer horizon, we expect the impact to be significant.

⁹ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 30 of this report for further detail.



Key climate-related opportunities facing KPMG Australia

OPPORTUNITY	OPPORTUNITY DRIVERS	TIME HORIZON	LIKELIHOOD	IMPACT	IMPACT DESCRIPTION	KPMG AUSTRALIA APPROACH
Differentiating ourselves as a market leader in climate and ESG	<ul style="list-style-type: none"> – Enhancing reputation – Increasing market share 	Short–Medium	Medium	Moderate	<p>Expectations are increasing among a range of key stakeholders in terms of understanding KPMG Australia’s approach to climate change and climate transition. There is an opportunity for us to differentiate ourselves as a market leader in climate and ESG, encompassing internal commitments and the professional services we provide, ultimately helping to maintain trust with our clients, the markets and other stakeholders.</p> <p>Increased trust supports our growth ambition, as this will enhance our revenue, talent attraction and retention, and operational efficiencies.</p> <p>Under a 1.5°C warming scenario,¹⁰ we anticipate an increased positive impact on KPMG Australia if the opportunity is successfully undertaken. Expectations may shift from dialogue and target projections to actual performance. However, if we are not actively contributing to decarbonisation, this could instead be called out by the millennial employee market.</p>	<p>Refer to KPMG Australia’s approach to the ‘actual or perceived failure to demonstrate the expected commitment to climate change’ transitional risk above.</p> <p>KPMG Australia carried out an internal annual Climate Action Survey to understand our respondents’ perception of our climate action. This year’s survey revealed that 93% of respondents agreed that ‘KPMG Australia fosters best practice environmental sustainability in its operations and supply chain’, 69% agreed that ‘KPMG Australia’s commitments to Climate Action are ambitious’. In addition, 46% of respondents stated they had been involved in climate action through volunteering, ESG training, and client or pro bono engagements during the year.¹¹</p> <p>We are also considering the following additional mitigation measures:</p> <ul style="list-style-type: none"> – Increasing investment in high-impact programs that differentiate KPMG Australia in the market and to our people. – Showcasing client work relating to supporting decarbonisation and the energy transition. – Working with our value chain to provide support in relation to accounting for and reducing their emissions, and in turn helping to reduce our own Scope 3 emissions.

¹⁰ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 30 of this report for further detail.

¹¹ Based on the responses in our annual Climate Action Survey, carried out in May 2025, where respondents ‘somewhat agreed, agreed or strongly agreed’ with the statements. More information in [Our Impact Plan](#).



OPPORTUNITY	OPPORTUNITY DRIVERS	TIME HORIZON	LIKELIHOOD	IMPACT	IMPACT DESCRIPTION	KPMG AUSTRALIA APPROACH
Products and services – increased demand for ESG advisory/professional services	<ul style="list-style-type: none"> – New products and services – Enhancing reputation – Increasing market share 	Short–Medium	High	Major	<p>Increased demand for climate and ESG-related professional services should improve future revenue and financial resilience. Australia’s economy is energy and emissions intensive; there is therefore an opportunity to support its decarbonisation and transition to a net zero future.</p> <p>Additionally, maintaining quality and innovation will further enhance our reputation and trust in KPMG Australia, enhance employee attraction and retention, and potentially support new partnerships and alliances on future go-to-market offerings.</p> <p>We recognise our most significant lever for positive ESG impact is through our client work and the role we play in helping clients respond to a range of climate and ESG challenges, driven by regulation, strategy and purpose.</p> <p>Under a 1.5°C warming scenario,¹² we anticipate a further increased positive impact on KPMG Australia if the opportunity is successfully undertaken. Increasing prices on carbon liability, increased market pressure to decarbonise and incentives/legislative regime to act will increase revenue from KPMG Australia assisting clients.</p>	<p>KPMG Australia’s global strategy has been developed with a focus on the impact of ESG across all professional services to capitalise on potential growth areas amid the global economy’s transition to a low-carbon future. Service and product development is based on subject matter expertise, sector insights, regional knowledge, and alliance partners. We contribute to and benefit from our global delivery assets, IP, tooling, and subject matter experts, while developing local expertise regarding climate and ESG-related professional services.</p> <p>In addition, enhancing our response to sustainable AI has become a key opportunity to differentiate ourselves in the market. Refer to our Impact Report for details and case studies.</p> <p>Client opportunities can be categorised into three broad areas:</p> <ul style="list-style-type: none"> – Regulation and reporting driven – supporting clients regarding compliance with emerging ESG regulation, voluntary standards and assurance. – Strategy driven – supporting clients where ESG provides a clear strategic opportunity. – Purpose driven – supporting clients with an approach to business that goes beyond pure commercials.
Sector-related growth relating to anticipating the needs of different client sectors and building KPMG Australia capacity in response	<ul style="list-style-type: none"> – Capacity building – New products and services – Increasing market share 	Short–Medium	Medium	Major	<p>We recognise that as we transition to a low-carbon economy, different client sectors are likely to be impacted by climate opportunities in different ways. Anticipating the needs of these sectors and building our capacity in response can help us grow revenue and increase market share while supporting these sectors through the transition.</p> <p>Under a 1.5°C warming scenario,¹³ we anticipate potential capability and capacity restraints. Challenges include improving climate literacy, increasing the skillsets of our people, and leveraging the subject matter experts within the firm to the maximum extent possible.</p>	<p>We are aligning, expanding and tailoring our offerings both to support clients through low-carbon transition and to capitalise on potential growth areas within the global economy’s transition to a low-carbon future.</p>

^{12,13} KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 30 of this report for further detail.



Risk management



KPMG global risk management framework

KPMG International uses an Enterprise Risk Management (ERM) program led by the Global Management Team and overseen by the Global Board's Quality, Risk Management and Reputation Committee and, ultimately, the Global Board. The ERM program uses KPMG International's internal risk assessment criteria and Dynamic Risk Assessment (DRA) tool to identify, connect and visualise risks across four dimensions (below).



At KPMG Australia, we refer to the ERM program and use a similar DRA tool to assess our enterprise risks.

We measure, monitor, and manage climate-related risk as a part of our wider ESG risk which, in line with KPMG International, we define as a failure to understand, prepare for, and take action to mitigate potential risks across the ESG agenda that could erode our licence to operate or negatively impact our brand.

In FY23, KPMG International formally integrated ESG risks – climate risks included – into its ERM framework.

KPMG Australia has embedded this approach, using the global ERM process to assess and manage climate-related and broader ESG risks within our national context.





Key ESG risk indicators

In alignment with KPMG International, we have identified and assessed our key risk indicators for ESG, including climate-related, to include the failure of KPMG Australia to:

- Meet legal and regulatory ESG compliance requirements.
- Inform and meet evolving ESG reporting standards.
- Close any real or perceived gap between our own ESG commitments and actions.
- Adapt our business and delivery model to address the impact of climate change.
- Deliver and evolve our publicly stated ESG commitments.
- Integrate ESG into our systems, processes and decision-making.
- Assure our internal and external stakeholders that we are serious about ESG.



Identifying and assessing climate-related risks and opportunities

In 2025, KPMG Australia expanded its climate risk assessment to include KPMG Fiji and KPMG PNG, recognising the increasing relevance of physical climate risk and transition exposure across our regional operations. This marks the first year that all three operating jurisdictions are covered under a unified climate-related risk identification and management process.

We have reviewed identified climate risks and opportunities published within our KPMG Australia Climate Risk Report 2024 which were based on KPMG International's developed scenarios for transition and physical risks within the [KPMG International I Climate Risk Report \(March 2024\)](#) of which the transition-scenario analysis utilised data from 10 KPMG reporting firms, including Australia.

We have drawn on KPMG International's global transitional and physical risk scenarios as a starting point for our own assessments. Through an internally led process – informed by input from stakeholders across KPMG Australia, KPMG Fiji, and KPMG PNG – we tailored these risks to reflect region-specific materiality and operational exposure. The outcomes of this process are detailed in the Strategy section of this report.

The following approach to risk identification, assessment, and validation was utilised:

Risk identification

1. Identify all key climate-related risks and opportunities faced by KPMG Australia as presented by KPMG International, informed by scenario analysis.
2. Assess the relevance of each KPMG International climate-related risk and opportunity to KPMG Australia, KPMG Fiji and KPMG PNG, and further refine them to reflect local context.
3. Identify any additional key risks and opportunities not presented by KPMG International but which may be material to KPMG Australia, KPMG Fiji and KPMG PNG.

Risk assessment and validation

For each relevant risk identified during the risk identification process:

1. Identify any KPMG Australia controls currently in place.
2. Assuming a base-case scenario, assess the adequacy of current controls in managing the risk and whether further controls are necessary. If further controls are necessary, identify other controls which could be considered.
3. Assuming a base-case scenario, assess the residual impact, likelihood, and time horizon of the risk using the ERM framework detailed in the section above.
4. Assess how the residual impact, likelihood, and time horizon of the risk can change under a 1.5°C warming scenario if it is a transition risk and a 5°C warming scenario if it is a physical risk.

We will continue to undertake this process annually, building upon the inclusion of our regional operations and refining assessments as local climate data, modelling, and risk understanding evolve.



Managing our climate-related risks and opportunities

To adequately manage the climate-related risks and opportunities we have identified and assessed in this report (refer to the Strategy section), KPMG Australia has taken the following approach, in alignment with the KPMG International ERM process:

01 Assigned accountable owners for each material risk and opportunity.

02 Developed and implemented appropriate response strategies, with relevant processes, controls, and mitigation or enablement activities either in place or under development to:

- reduce the likelihood and/or severity of risk impacts, and
- leverage and monitor identified opportunities.

03 Reviewed the adequacy of responses to determine whether current or planned actions are sufficient, or whether enhancements are required.

04 Reported to KPMG Australia's National Executive Committee (NEC) and Board at least annually, ensuring governance visibility and oversight.

In addition, KPMG Australia reviews and reports annually to KPMG International on the status of all climate-related risks and opportunities. This includes:

- assessment of response effectiveness,
- progress in reducing risks to acceptable levels or enabling opportunities, and
- identification of any emerging risks that may warrant elevation to enterprise risk status, or existing enterprise risks that have diminished in significance.



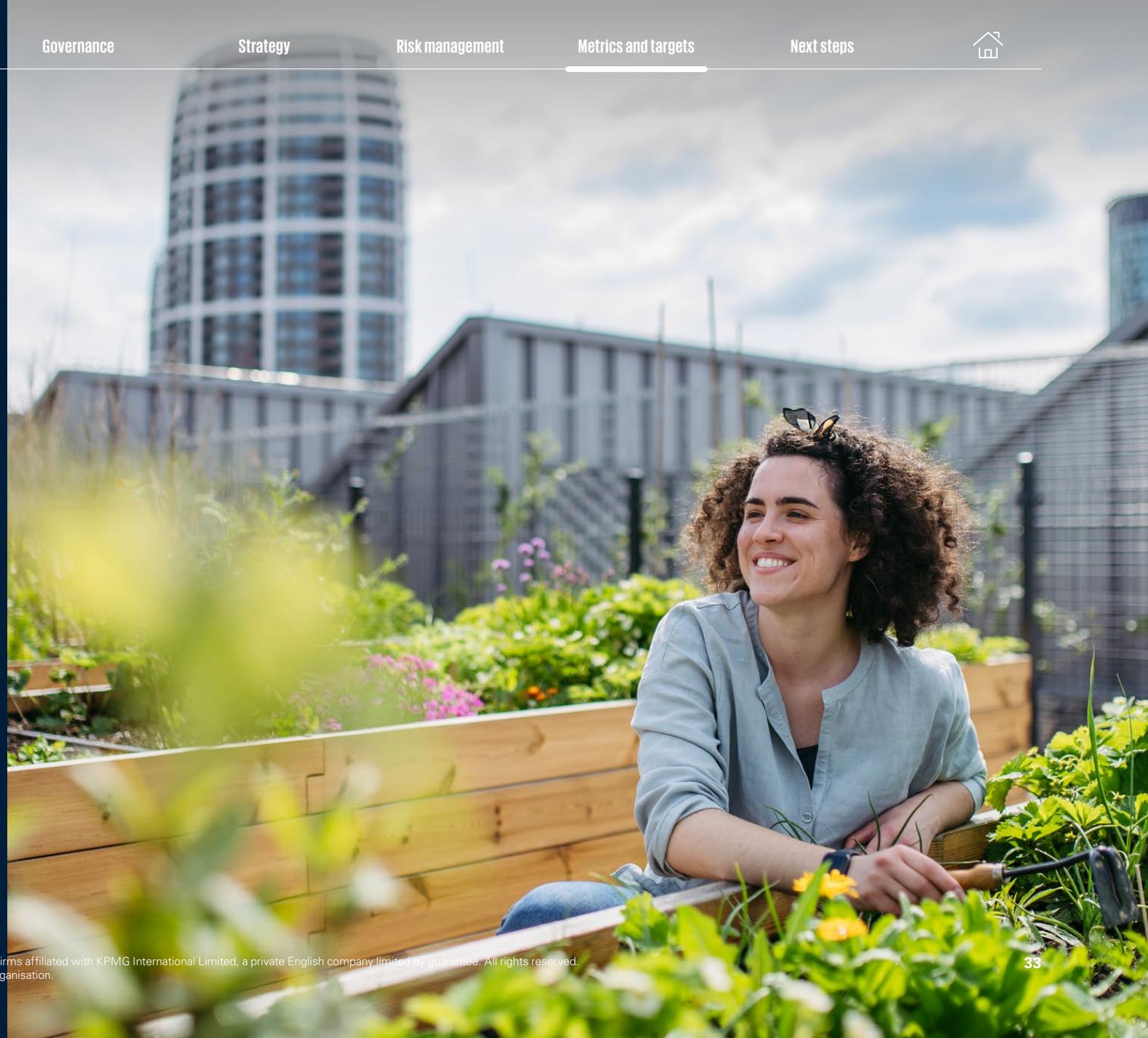


Metrics and targets



Our approach to target setting

As a leading provider of sustainability services to the Australian market, we have a responsibility to quantify and mitigate the impacts of our operations and supply chain on the planet, and to support our people, clients and our economy as we transition towards a net zero future. We have continued to collaborate and advocate with our stakeholders to help build a more sustainable and resilient future.





Our Climate Action targets and commitments

Each year we report against our [Climate Action Plan](#) commitments and targets in [KPMG Australia’s Impact Plan](#).

This year we made meaningful progress across our Climate Action Plan commitments. We continued to steadily increase the percentage of our suppliers with science-based net zero targets, we actively supported our clients’ transition to net zero and elevated our impact on nature and biodiversity through initiatives like our [Nature Positive Challenge](#).

In line with KPMG International, KPMG Australia has set a target to reduce our carbon emissions by 50% by 2030, using 2019 as our baseline. While we are halfway towards this target, our carbon emissions have risen – we acknowledge further work is needed to accelerate our decarbonisation.

We continued to maintain Climate Active Certification this year through which we received independent limited assurance over our carbon emissions and carbon neutral claim.

Decarbonise our operations and supply chain towards net zero

Metric: Change in gross Scope 1, 2 and 3 emissions

This year, we achieved a 27% reduction in our emissions compared to 2019, however, we fell short of our decarbonisation expectations, with a reported small increase in our emissions which were 4% higher than the prior year. This was driven by air travel emissions, primarily due to a rise in international travel associated with client engagements. This reflects the post-pandemic recovery in global project activity and in-person client service delivery.

Climate Action – our progress

PLANET	OUR COMMITMENTS	FY25 PROGRESS
PLANET Supporting our firm’s, our clients’ and Australia’s transition to net zero	Decarbonise our operations and supply chain towards net zero	<u>Mixed progress</u>
	Support our clients’ and Australia’s transition to net zero	<u>Positive progress</u>
	Understand and improve our impact on nature and biodiversity	<u>Positive progress</u>

For more information about our progress against each commitment, please click [here](#). Year-on-year comparative data and additional environmental metrics are provided in Our Impact Plan 2025 [Databook](#).

Legend

- Achieving: Target or key initiatives have been achieved or exceeded.
- Positive progress: Substantive advancement against target or key initiatives.
- Mixed progress: Progress against target or key initiatives was slower than expected or unsatisfactory.
- Not achieved: Target or key initiatives have not been achieved.



Air travel is a material emissions source for KPMG Australia, and we will continue to encourage appropriate travel behaviours, collaborate with our travel suppliers, and implement emissions reduction strategies. Our Internal Price on Carbon (IPC), which places a fee on all national and international air travel emissions, is a key lever to drive behaviour change in support of our decarbonisation efforts.

This year, in addition to procuring 100% renewable energy across our offices, we have purchased renewable electricity to cover the energy use associated with our offsite data centres.

This is part of our ongoing effort to better understand and mitigate the carbon impact of our use of AI, which has seen sustainability integrated at the core our firm’s AI Strategy.



DECARBONISATION	CY22 ¹⁴	CY23 ¹⁵	CY24
Change in gross Scope 1, 2 & 3 emissions against 2019 baseline	-44%	-30%	-27%

Metric: Spend towards suppliers with science-based net zero targets

Our purchased goods and services constitute a large portion of our Scope 3 emissions, second only to air travel. We have made good year-on-year progress in increasing the proportion of our suppliers with science-based net zero targets – from 40% in 2023 to 70% for the past year – although there is more work to do to reach our ambitious 80% target.

We identified that uptake of such targets varies across industries. For existing suppliers in industries slower to adopt net zero targets, or those that need help setting climate goals, we offer workshops and education sessions to support their progress. All new suppliers are screened for their ESG performance through our supplier questionnaire. We will continue to engage and collaborate with suppliers through our Sustainable Procurement Framework to enhance environmental performance and to promote knowledge sharing.

SUPPLY CHAIN	FY23	FY24	FY25
Percentage of spend towards suppliers with science-based net zero targets	40%	59%	70%



Support our clients’ and Australia’s transition to net zero

KPMG Australia is committed to strengthening our client portfolio’s resilience to climate risk and support the decarbonisation of our clients across industries, including carbon-intensive ones, by 2030.

As we move closer to the first-time implementation of mandatory assurance over sustainability reporting in Australia, Audit and Assurance have never been more important in providing confidence for the capital markets.

We use the latest technology and AI solutions to help deliver reliable, high-quality audit and assurance services. In FY25, we continued to evolve and invest in our transformation by significantly upskilling our people and building teams fluent in ESG assurance reporting through a suite of mandatory and voluntary trainings.

See [Our Impact Plan 2025](#) for more detail.

^{14,15} Emissions figures have been re-stated to reflect data refinements in alignment with our Climate Active reporting.



Metric: Monitoring and reporting the carbon intensity of our client portfolio

Accountability is essential to building trust in climate transition efforts. For the past four years, KPMG Australia has monitored and disclosed the carbon intensity of our client portfolio as part of our commitment to transparency and sustainable impact.

Since 2021, we have used and continuously refined an in-house methodology to assess the estimated emissions associated with our client work, calculated per dollar of revenue earned. This allows us to better understand the emissions profile of our client portfolio and to assess the extent to which our engagements contribute positively, neutrally, or negatively to the economy’s broader decarbonisation.

This analysis also informs risk identification and enables tailored guidance to engagement teams, particularly for industries with elevated transition risk.

Through our client and engagement acceptance processes, we actively consider the environmental impacts of prospective engagements and use dedicated risk guidance to support our work in energy transition.

In FY24, our estimated carbon intensity was 0.18 kg CO₂e per dollar of revenue, which is relatively consistent compared to 0.17 kg CO₂e in FY23. We will utilise this data to inform our broader efforts to track progress, reduce emissions exposure, and contribute to a lower-carbon economy.

CARBON INTENSITY	FY22	FY23	FY24
kg CO ₂ e/\$ revenue	0.18	0.17	0.18

For the third year we also monitored the percentage of our ASX 200-listed clients which have publicly set science-based net zero targets:



have set net zero targets that have not been publicly approved or validated by the SBTi (vs 57% last year).



have publicly set Science Based Targets initiative (SBTi) approved targets (vs 32% last year).



have no publicly set targets (vs 11% last year).

To support our clients’ and Australia’s transition to net zero, we have committed to:



Reporting on our investment in climate change and decarbonisation service offerings, solutions and capabilities.



Monitoring and reporting the carbon intensity of our client portfolio annually.



Monitoring the percentage of ASX-listed clients that have set science-based net zero targets annually.



Demonstrating the impact of our climate change, decarbonisation and energy transition services.





Understand and improve our impact on nature and biodiversity

Metric: Investment in improving outcomes for nature and biodiversity

We are committed to making progress on understanding and improving our impact on nature and biodiversity. This year, we made positive progress on this commitment, including through the third edition of the [KPMG Nature Positive Challenge](#). We also continued to collaborate with WWF-Australia, exploring new opportunities to support reforestation and biodiversity initiatives across our region.

Please see [Our Impact Plan 2025](#) for more detail.

Other key climate reporting commitments

Executive remuneration

KPMG Australia is committed to integrating sustainability and climate change principles into our overall strategy. As part of this commitment, climate-related risks and opportunities are included among the factors that inform our executive remuneration framework, reinforcing alignment with our long-term environmental, social, and governance (ESG) objectives.

The remuneration framework for senior executives includes responsibilities for all risks including climate-related risks and opportunities.

Our internal carbon price

KPMG Australia's internal price on carbon (IPC) was established three years ago to embed the cost of carbon into business decision-making and promote more sustainable travel behaviours. The IPC applies a fee to all national and international air travel emissions, anchored to the market price of Australian Carbon Credit Units (ACCUs). This approach creates a visible internal price signal to encourage teams and leaders to consider lower-emission alternatives to flying.

This year, funds collected through the IPC were directed towards the purchase of certified carbon credits and projects focused on biodiversity conservation and native forest regeneration. Notably, the share of ACCUs in our offset portfolio has grown from 8% for CY22 to 38% for CY24, demonstrating progress toward our goal of sourcing 100% of offsets from within the countries we operate – Australia, Fiji, and PNG – by 2030.

We will continue to review the IPC annually to ensure it remains an effective lever for driving behavioural change and funding meaningful climate action.



Next steps

- 1. We will advance our climate risk management and continue preparing for the implementation of AASB S2,** with a focus on integrating climate-related financial disclosures into enterprise risk, governance, and financial reporting systems. This includes building readiness for limited assurance and mapping existing TCFD-aligned disclosures to the ASRS framework.
- 2. We will conduct an annual climate risk and opportunity review,** engaging with internal and external stakeholders to validate materiality, refresh scenario analysis, and further operationalise controls and mitigation strategies across business units.
- 3. We will advance our decarbonisation and targets,** including forecast modelling, interim milestones, and alignment with KPMG International's targets and commitments. We will also continue to update our approach in relation to monitoring and mitigating the climate impact relating to our use of AI.
- 4. We will continue to support clients in managing their climate-related risks and opportunities** by investing in skills, data platforms, and AI-powered solutions, and by applying our expertise in climate governance, scenario analysis, and preparing clients to be in accordance for AASB S2 disclosure and assurance.
- 5. We will continue our internal climate education program** to upskill KPMG professionals across service lines, ensuring climate literacy is embedded across audit, tax, consulting, and advisory practices.



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