Climate Risk Report

Aligned with Task Force on Climate-Related Financial Disclosure Recommendations

March 2024

KPMG International

kpmg.com

KPMG's ESG reporting suite

ESG is at the heart of how we operate as a business. Alongside this Climate Risk Report, you can find out more on KPMG's ESG strategy and performance in the following reports and disclosures:

The KPMG 2023 CEO Outlook draws on the perspectives of more than 1,300 global CEOs on the role of ESG in adapting to shifting business and economic landscapes.

Learn more in the KPMG: Our Impact Plan about the progress we've made in each of our four priority areas: Governance, People, the Planet and Prosperity, read KPMG: Our Impact Plan 2024 update.

KPMG is committed to quality and service excellence in all that we do. Learn about the KPMG Code of Conduct and our Values in the KPMG International Transparency Report 2023.

Notes:

KPMG is a global organization of professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International Limited ("KPMG International" or "KPMGI") operate and provide professional services. Throughout this document, "we", "KPMG", "us" and "our" refers to the global organization, to KPMG International Limited ("KPMG International") or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

The data set out in this report represents combined information of the independent KPMG firms affiliated with KPMG International Limited that perform professional services for clients. Reported emissions reflects data for FY23, the period from 1 October 2022 to 30 September 2023. The information is combined here solely for presentation purposes.

Climate change performance data reflects the data from approximately 75 KPMG firms including the Reporting KPMG Firms that have been used to estimate total emissions on a global basis. Scenario analysis — physical risk assessment was conducted on the majority of KPMG firm offices and real estate assets around the world. Scenario analysis — transition risk assessment data relates to 10 KPMG firms representing approximately 70 percent of the KPMG's global revenue.

KPMG International Limited is an English company limited by guarantee that does not provide client services. Professional services to clients are exclusively provided by KPMG firms who remain solely responsible and liable in respect of these services. For more detail on our structure visit kpmg/governance.

"Reporting KPMG Firms" means KPMG firms in 20 large countries and territories, including firms whose senior partner is also a Global Board member. These countries and territories are Australia, Brazil, Canada, China, France, Germany, India, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Singapore, South Africa, South Korea, Spain, Switzerland, the UK and the US.

Climate change performance data for FY23 has been collected from 75 KPMG firms including Reporting KPMG Firms. Although KPMG International has not obtained third-party verification of the emissions data in this report, a number of the KPMG firms have had their underlying data independently verified. To estimate total emissions on a global basis on the basis of the data collected from the relevant KPMG firms, KPMG International's methodology for relevant emissions and/or carbon claims is in accordance with the globally recognized Greenhouse Gas Protocol (GHG Protocol), developed by the World Business Council for Sustainable Development and the World Resources Institute. The GHG Protocol provides standards and guidance for companies and other organizations preparing a GHG emissions inventory, also known as a carbon footprint. For more information please see Our Impact Plan 2024 update, Planet section.

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Message from our Global Chairman and CEO

On behalf of everyone at KPMG, I am pleased to present to you our 2024 Climate Risk Report, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The effects of climate change can be witnessed on a near daily basis with increased extreme weather events such as wildfires, droughts and flooding. These events have led to climate impacts being widely recognised as a key business issue. No business is immune. With more than 270,000 people across the world working together in 140+ countries and territories, we've directly experienced the impacts of climate change where KPMG and our clients operate.

We believe that what gets measured, gets done. Measuring the total impact of businesses across the world will help align resources at the scale and speed necessary to overcome the challenges presented by climate change. That is why KPMG has proudly worked with the TCFD since 2017 and has been an active proponent of sustainable metrics since the beginning.

It is encouraging that a major milestone for the consolidation and standardization of climate risk reporting has recently been achieved. TCFD recommendations are now integrated into the ISSB's requirements for climate-related disclosures, which will hopefully spur increased action from businesses.

Solutions to the risks and challenges posed by climate change will take time and commitment, and we believe every business has a role to play. Publishing this Climate Risk Report is an important step in our own journey to meet that responsibility. We have made good progress toward many of our goals detailed within this report, including:

- Utilizing our Climate IQ methodology to run a comprehensive transition scenario analysis
- Embedding ESG and Climate Risk into our Enterprise Risk Management process
- Making tangible progress through our validated science-based decarbonisation target

With this report, we have a better understanding of where we are today, and know that we can and will do more. But importantly, we also recognize that our largest impact is through the work we do for our clients. That is why we are embedding ESG into everything we do, investing billions to utilize our scale, talent, and innovation to progress a more sustainable future.

Our world is evolving at a speed and scale once unimaginable. Now more than ever — especially as it relates to climate change — collaboration and cooperation across disciplines and geography is critical. Only together, working side-by-side with clients and alliance partners, can we meet our shared responsibilities and overcome these challenges.

Thank you for taking the time to read more about KPMG. We look forward to building a more resilient and sustainable future with you.

Bill Thomas
Global Chairman and CEO
KPMG International

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Our climate journey

KPMG is committed to being a market leader in ESG and driving the global transition to a greener and fairer economy, while ensuring we manage our own environmental impact in doing so. Since the 2008 launch of our Global Climate Response (GCR) — KPMG's internal decarbonization initiative — we've actively pursued ways to reduce our environmental impact globally while delivering services to clients. We have taken steps to identify and address our climate impacts through efforts that include:

01 Working towards targets aligned with leading standards;

02 Assessing our net-zero readiness;

03 Investing in decarbonization initiatives; and

04 Making internal changes to consider climate impacts within our business.

Publishing robust and transparent climate disclosures is a vital part of achieving our objective — both in terms of sustaining progress toward our commitments and demonstrating the importance we place upon climate change mitigation.

This is our first Climate Risk Report in line with the recommendations of the TCFD and is made by KPMG International on behalf of the global organization.

2020	2021	2022	2023
Started working towards a 1.5°C Science-Based Target (SBT) which focusses on achieving a 50 percent reduction of KPMG's direct and indirect greenhouse gas (GHG) emissions by 2030 in comparison to a 2019 baseline. Started working towards 100 percent renewable energy by 2030.	Published first Net-Zero Readiness Index to analyze the progress of countries and their ability to achieve net-zero by 2050.	The majority of Reporting KPMG Firms reached the target of 100 percent renewable energy procurement. Established an Internal Carbon Price to cover KPMG International's and the majority of our Reporting KPMG Firms business travel and business operations globally. KPMG International awarded a 'B' grade for its CDP response. Developed a nature and circularity strategy and roadmap for our operations, including our supply chain. KPMG created in-house Climate IQ tool to help companies identify, quantify and manage their climate-related risks. Conducted our first TCFD compliant scenario analysis utilizing Climate IQ.	ESG integrated into KPMG International's Enterprise Risk Management framework as a principal risk. A 25 percent reduction in emissions achieved against the 2019 baseline. KPMG International awarded a 'B' grade for its CDP response.

Figure 1 — Our climate journey

Our global impact

We believe environmental, social and governance (ESG) considerations should be at the core of our business to ensure that we have a thriving network of firms that makes a positive, lasting impact on the world. The KPMG global organization aims to grow sustainably by managing its own climate impacts and leading by example while supporting KPMG firms' clients' ability to do the same. That means identifying the trends affecting clients, communities and wider society, and anticipating the impact of our work and our influence on the organizations we support. We are bringing the expertise of KPMG's professionals, globally, to understand climate impacts, reduce greenhouse gas (GHG) emissions, scale renewable energy, and integrate climate risk into corporate strategies both within our organization and for clients worldwide. We've also advised extensively on green finance and are working with civil society partners to drive systemic change and accelerate the energy transition journey without delay.

As part of our commitment, KPMG is a member or supporter of leading taskforces, standard-setting bodies and other organizations supporting the global economy's transition to net-zero, including the TCFD, the Taskforce for Nature-related Financial Disclosure (TNFD), the Global Reporting Initiative and the Glasgow Financial Alliance for Net Zero (GFANZ).

Other organizations we support or work closely with include:

- **Alliance for a Just Energy Transition**
- **CDP (formerly the Carbon Disclosure Project)**
- **International Sustainability Standards Board (ISSB)**
- **Net Zero Urban Program**
- **RE100 (The Climate Group)**
- **Science Based Targets Network (SBTN)**
- **Sustainable Markets Initiative**
- **The Carbon Call**
- **UN Global Compact**
- **UNFCC Race to Zero**
- **World Business Council for Sustainable Development (WBCSD)**
- **World Economic Forum**
- **World Wildlife Fund for Nature**

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

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 are becoming a requirement in a number of jurisdictions, such as the European Union's Corporate Sustainability Reporting Directive (CSRD) and the UK Government's update to the Companies Act and guidance on climate-related financial disclosures. Further, with the adoption of TCFD recommendations in the International Sustainability Standards Board's climate-related and general sustainability-related disclosure standards, climate risk reporting is coming of age.

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 IFRS taking over the monitoring of progress on companies' climate-related disclosures.

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.

Elements of the TCFD

The TCFD structured its recommendations around four key pillars for integrating climate into an organization — Governance, Strategy, Risk Management, and Metrics and targets, as illustrated below:

Core elements of TCFD

Integrating climate-related considerations across all levels of governance, establishing a clear link between the business' long term growth and performance.

Strengthening strategic resilience to climate change, embedding scenario planning approaches and climate-related considerations into all key decision making processes.

Establishing robust climate risk management procedures, and integrating them into existing processes.

Implementing and measuring more encompassing climate-related targets, moving beyond carbon emissions towards the overarching environmental performance of its entire operations.

Figure 2 — Structure of the TCFD

TCFD index

Our report has been structured around the four pillars of the TCFD, aligned with its 33 recommendations. These recommendations are contained within 11 disclosure areas, outlined in the table below:

Pillars	Disclosure area	Report Section
Governance Disclose the organization's governance around climate-related issues and opportunities.	**a) Describe board oversight of climate-related risks and opportunities.**	3. Governance: 'Global Management Team support of climate-related risks and opportunities'
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	3. Governance: 'Global Management Team support of climate-related risks and opportunities'
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.	**a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.**	4. Strategy and scenario analysis: 'Climate-related risks and opportunities'
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	4. Strategy and scenario analysis: 'Integrating the findings of scenario analysis into risk management and business planning'
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	4. Strategy and scenario analysis: Scenario analysis
Risk Management Disclose how the organization identifies, assesses and manages climate-related risks.	**a) Describe the organization's processes for identifying and assessing climate-related risk.**	5. Risk management
	b) Describe the organization's processes for managing climate-related risk.	5. Risk management: 'Managing climate risks'
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	5. Risk management: 'Integrating climate into Enterprise Risk Management'
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	**a) Disclose metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk-management process.**	6. Metrics and targets
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks.	6. Metrics and targets: KPMG's greenhouse gas footprint
	c) Describe the targets used to manage climate-related risks and opportunities and performance against targets.	6. Metrics and targets

Table 1 — TCFD index

Climate risk disclosure self-assessment

We believe that managing our ESG impacts is fundamental to our success and managing our climate-related risks and opportunities is an important part of this. Our approach to ESG, laid out in our Global Code of Conduct, includes a commitment to "act as responsible corporate citizens, playing an active role in global initiatives relating to climate change" and to "manage our environmental impacts so as to limit them." We believe that a fundamental part of this commitment is publishing climate-related disclosures that address the climate impacts we face as a global organization, the work we've done to address them and our ambition for the future. As part of our first step on this journey, we have assessed our disclosure against best practice, including the TCFD recommendations and ISSB standards. This review has highlighted areas where we are currently making good progress and where there is still work to do.

Our progress to date

Governance

The management of ESG — KPMG's Our Impact Plan (KPMG International's approach for mitigating its ESG operational impacts across the global organization) and our ESG client strategy — is integrated across the leadership of KPMG International, specifically:

- The Global Head of Corporate Affairs who is accountable for Our Impact Plan
- The Head of Global ESG who co-ordinates the development of a global approach to ESG client strategy, and supports KPMG firms in their implementation of that strategy.

KPMG International's Global Board is periodically updated on both KPMG's Our Impact Plan and our strategy regarding ESG client services.

Strategy

Utilizing scenario analysis, we have identified climate risks and opportunities that we expect to have an impact on our global organization as we adjust to a warming climate and transitioning economy. The insight from this exercise is helping shape our business strategy, which supports our efforts to decarbonize. The scenario analysis is also helping shape our approach to opportunities and investments in client services amid the transition to a net-zero global economy. Climate considerations are also being applied to our supplier engagement to support the decarbonization of our supply chain. Strategic investment is being made in ESG research and development to ensure our ongoing support of KPMG firms' clients on their ESG journeys.

Risk Management

In 2023, we introduced ESG (including climate change) as a principal risk in KPMG International's Enterprise Risk Management (ERM) framework — a significant change that will help shape the way ESG risks are considered across the global organization.

Climate-related considerations are also factors in established enterprise risks related to our business model and business resilience.

Metrics and targets

KPMG firms, as a whole, are working towards a 50-percent decarbonization target that has been validated by the Science Based Targets initiative (SBTi), with the GCR being our long-established process for measuring and monitoring decarbonization progress, in line with the Greenhouse Gas Protocol.

Our development areas

To ensure we preserve long-term resilience and business value, we need to continue to improve the integration of climate risk into our business. Governance is key to supporting this path forward — we need to ensure that existing governance structures are underpinned by understanding, reporting lines and responsibilities regarding climate issues.

By expanding and improving the breadth of data available to better inform modelling and assumptions, we see opportunities to expand our scenario analysis and identify additional emerging risks to our global organization. We will also need to build upon our process for prioritizing climate risks and opportunities, and assessing materiality, and ensure that these discussions are aligned within our business strategy, financial planning and risk-management processes.

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KPMG International structure and governance

KPMG is a global organization of professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International operate and provide professional services. KPMG firms are independent legal entities and, together they form the KPMG global organization. Climate risks and opportunities are independently managed by KPMG firms, with KPMG International acting as the co-ordinating entity for the overall benefit of the KPMG global organization. KPMG International facilitates service quality across the organization by establishing common policies, processes and standards to be applied across KPMG firms. KPMG International's governance bodies comprise the Global Council, the Global Board and its committees, the Global Management Team (GMT) and the Global Steering Groups, a certain number of which have climate oversight responsibilities, as illustrated below.

KPMG firms are generally managed locally and each is responsible for its own obligations and liabilities. A number of firms have also established their own leadership and governance structures to manage climate-related issues. More information on the legal structure and relationship between KPMG International and the KPMG firms can be found in our *KPMG International Transparency Report 2023* and *KPMG: Our Impact Plan 2024 update*.

Figure 3 — KPMG International structure and governance

The Global Board is the principal governance and oversight body of KPMG International and meets at least four times a year. The Global Board is led by the Global Chairman and CEO, Bill Thomas, and includes the Chairman of each of the regions and a number of individuals who are also KPMG firm senior partners. The list of Global Board members as of 1 October, 2023 is set out on the Leadership page of our website. The Global Board's key responsibilities include approving global strategy as well as protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team, and approving policies with which KPMG firms have agreed to comply. The Global Board is periodically updated on both KPMG's Our Impact Plan and our strategy regarding ESG client services.

Global Management Team support of climate-related risks and opportunities

The Global Board has delegated certain responsibilities to the GMT, including the development of global strategy, on which the GMT works together with the Executive Committee of the Global Board. The GMT supports KPMG firms in their execution of the global strategy and policies and holds them accountable to their commitments. The GMT, along with their teams and steering groups, also works with the KPMG firms to drive progress against key KPMG International initiatives such as Our Impact Plan (including Climate commitments) and the related targets.

The Global Head of Corporate Affairs, a member of the GMT who reports directly to the KPMG Global Chairman and CEO, has oversight of KPMG's Our Impact Plan (including in relation to climate change). The Global Head of Corporate Affairs leads the Global Corporate Affairs Steering Group and reports to the Global Board on any significant changes to that strategy. With regards to client services, KPMG International's Head of Global ESG co-ordinates the development of a global approach to ESG client strategy and supports KPMG firms in their implementation of that strategy. The activity the GMT drive in relation to climate-related issues and strategy covers both KPMG's Our Impact Plan and our strategy regarding ESG client services including:

- **Developing the global strategy:** this covers our clients and markets strategy, which includes the integration of climate considerations and ESG more broadly into our service offerings; and where appropriate, the alignment of investments across the KPMG global organization.
- **Developing KPMG's Our Impact Plan:** this outlines KPMG International's operational strategic ESG strategies (including in relation to climate change).
- **Recommending global targets, metrics or ambitions:** considering and, where appropriate recommending targets, metrics or ambitions to support our progress in achieving our climate and broader ESG commitments.
- **Monitoring progress toward Our Impact Plan commitments:** reviewing KPMG's annual Our Impact Plan update, which includes KPMG's decarbonization and climate risk reporting.
- **Risk oversight:** reviewing on a quarterly basis enterprise-level risks, including ESG and other enterprise risks where ESG and climate intersect.
- **Budgets and forecasting:** reviewing budgets and forecasts, including elements related to ESG client services and other climate-related activity.

The Global Head of Corporate Affairs, a member of the GMT who reports directly to the KPMG Global Chairman and CEO, has oversight of KPMG's Our Impact Plan (including in relation to climate change). The Global Head of Corporate Affairs leads the Global Corporate Affairs Steering Group and reports to the Global Board on any significant changes to that strategy. With regards to client services, KPMG International's Head of Global ESG co-ordinates the development of a global approach to ESG client strategy and supports KPMG firms in their implementation of that strategy.

KPMG International's climate strategy, is focused on both our operational impact on the planet, and how we help KPMG firms' clients understand and manage their own impact on the planet. As such, management responsibilities relating to climate considerations are typically split between internal-facing (i.e. KPMG's Our Impact Plan) and external-facing (i.e. the global approach to ESG client-service strategy) roles. The key climate-related management roles are set out below.

	CEO		Global Board
	Strategy for ESG client services	Our Impact Plan Strategy	
COO Steering Group + Clients and Markets Steering Group	Global COO + Global Head of Clients and Markets	Global Head of Corporate Affairs	Corporate Affairs Steering Group
ESG Working Group	Head of Global ESG	Head of Global Sustainability (Our Impact Plan)	Our Impact Plan Working Group

Figure 4 — Executive roles and responsibilities on climate

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Here are detailed descriptions of individuals and committees with management responsibility over climate-related risks and opportunities:

C-Suite representative	Responsibilities	Reporting line to Board on climate-related issues	Process for being informed about climate-related issues
Chief Executive Officer (CEO)	The CEO has responsibility for the development of KPMG's Our Impact Plan and the ESG client-service strategy. The CEO is also the Chairman of the Global Board and therefore has oversight of ESG matters brought to the Board.	Has oversight of ESG matters brought to the Global Board.	Informed of KPMG firms' climate-related issues via COO (ESG client-service strategy climate considerations) and by Global Head of Corporate Affairs (operational climate considerations).
Global Head of Corporate Affairs	The Global Head of Corporate Affairs is responsible for KPMG's Our Impact Plan (KPMG International's operational ESG strategy) and has oversight and accountability for these areas. Day-to-day responsibility is delegated to the Head of Global Sustainability (Our Impact Plan). The Global Head of Corporate Affairs monitors climate-related issues through oversight of the day-to-day support and monitoring of KPMG firms' ESG activities provided by the Head of Global Sustainability (Our Impact Plan) and the Our Impact Plan Working Group. **Corporate Affairs Steering Group** The Corporate Affairs Steering Group, consisting of the Heads of Corporate Affairs from a number of the largest KPMG firms and regions, supports the Global Head of Corporate Affairs in shaping and testing the OIP (operational ESG) strategy prior to it being escalated to the GMT and the Global Board.	Yes — twice yearly.	Global Head of Corporate Affairs is informed of climate-related issues via the Corporate Affairs Steering Group and Head of Global Sustainability (Our Impact Plan).
Head of Global Sustainability (Our Impact Plan)	The Head of Global Sustainability (Our Impact Plan) has day-to-day responsibility for supporting KPMG firms implementing their operational ESG strategy locally, and reports to the Global Head of Corporate Affairs. The Head of Global Sustainability (Our Impact Plan) leads the Our Impact Plan Working Group. **Our Impact Plan Working Group** The Our Impact Plan Working Group is informed on climate-related issues by the KPMG Planet Council, a group of decarbonization and climate risk subject-matter experts from KPMG International and the largest KPMG firms and regions. Periodically, other subject-matter experts, including colleagues responsible for KPMG's Enterprise Risk Management Process, advise the Planet Council. The Planet Council is led by KPMG International's Global Planet, Decarbonization and Climate Risk lead, who reports into the Head of Global Sustainability (Our Impact Plan) and works with KPMG firms to support the development of their climate strategies.	Via Global Head of Corporate Affairs.	The Head of Global Sustainability (Our Impact Plan) is supported by the Our Impact Plan Working Group, ensuring information on OIP progress by the KPMG largest firms and each region KPMG operates is understood.

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C-Suite representative	Responsibilities	Reporting line to Board on climate-related issues	Process for being informed about climate-related issues
Chief Operating Officer (COO)	The Global Chief Operating Officer is responsible for assisting in the development of the global strategy and the global strategy execution roadmap for KPMG firms. **COO Steering Group** The COO Steering Group — consisting of the Chief Operating Officers (COOs) from several of the largest KPMG firms and regions — supports the Global Chief Operating Officer in shaping and testing the global strategy and is accountable for implementation (including ESG client-service strategy) and budgets among respective KPMG firms.	Via CEO.	Informed of climate-related issues via the COO Steering Group and Global Head of Clients and Markets.
Global Head of Clients and Markets	The Global Head of Clients and Markets is responsible for supporting KPMG firms with their management of transition risks and opportunities, including sector strategy and service offerings. In addition, this role includes oversight of ESG impacts to KPMG's revenue. **GCM Steering Group** The GCM Steering Group — consisting of the Heads of Clients and Markets from a number of the largest KPMG firms and regions — supports the Global Head of Clients and Markets in identifying risk and opportunities in industries and service offerings. This includes those relating to climate change and ESG, in addition to shaping, testing and managing implementation of the global strategy and strategic investments to capitalize on revenue opportunities.	Yes — twice yearly.	Informed of climate-related issues via the GCM Steering Group and Head of Global ESG.
Head of Global ESG	Head of Global ESG is responsible for assisting in the development and operationalizing of KPMG's global ESG client-service strategy, including support to manage transition risk in respect to KPMG firms' clients and revenues. **ESG Steering Group** The ESG Steering Group, consisting of ESG leaders from a number of the largest KPMG firms and regions, as well as the Head of ESG for each function, supports the Head of Global ESG in shaping and testing the global ESG strategy, provides strategic oversight to the delivery of the ESG strategy, and manages risks escalated to the group.	Via Global Head of Clients and Markets.	The Head of Global ESG is supported by our Global ESG Functional Leads (Audit, Tax and Legal and Advisory) and our Global Solutions Leads (including Assurance, Reporting, Sustainable Supply Chain, Circular Economy etc.).

Table 2 — Detailed description of responsibility for climate-related risks and opportunities

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ESG remuneration

Within KPMG International, reward-based remuneration and bonuses are linked to appraisal outcomes which reflect the expectations of the role and, therefore for roles with specific responsibilities for ESG matters, the reward-based remuneration is linked to the successful performance of those responsibilities. KPMG firms manage remuneration and bonuses locally and therefore details are not included here.

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Our ambition

KPMG is committed to being a responsible global citizen, and supporting the global economy, our global organization, our clients, and communities in which we operate, transition to net-zero in a fair and equitable manner. We are committed to being a sustainable, resilient business providing careers for colleagues around the world, and to being a market leader in ESG, climate and net-zero transition-related services. It is essential for KPMG to build a detailed understanding of our climate risks and opportunities profile across our whole value chain.

What are climate-related risks and opportunities?

KPMG 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, social and cultural assets, as well as investments, infrastructure, services provision, ecosystems and species.

Climate risks are typically categorized 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 can support clients to secure that opportunity — is critical to long-term success.

KPMG assesses climate risks over short, medium- and long-term horizons, defined as 0–1 year, 2–3 years, and 4–10 years, respectively, as part of KPMG International's ERM program. More information on this can be found in the Risk Management section.

Physical risk

Exposure of an organization'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.

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Climate-related risks and opportunities

To achieve our ambition of being a resilient, sustainable business and being a market leader in ESG, it's imperative that we have a robust and thorough approach to identifying, assessing and mitigating our climate risks and capturing our climate opportunities. That's why we have integrated ESG risk (including climate) as a principal risk in the KPMG International ERM framework, and used KPMG's climate scenario analysis tool Climate IQ, to help us understand our climate risk and opportunity exposures. The results of our climate risk and opportunity analysis are set out in the following sections, with details on our risk and opportunity identification processes and our assessment of materiality of identified risks in the Risk Management section.

Key climate-related risks faced by KPMG

Risk	Category	Description	Time horizon	Likelihood	Impact	KPMG approach
Acute/ chronic physical risk[1]	Physical risk	Extreme weather having a temporary or long-term impact on a localized region or business sector	Medium to long term	Acute — virtually certain Chronic — virtually certain	Extreme weather could cause KPMG firms 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 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: • 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. In the case of severe long-term impacts such as flooding or significant temperature increases. impacts could also include: • 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.	**Mitigation** KPMG firms have well-established operational climate resilience processes that are guided by available international standards and embedded in policy where possible. *Location-related disruption* • Remote working arrangements allow KPMG firms to pivot operations amid climate-related disruption. • KPMG offices and other support locations are mainly leased and our property strategy factors in operational resilience including climate factors. *Travel and other supply-chain disruption* • KPMG supplier and procurement processes include operational resilience requirements, with climate risk considerations being integrated into these. Remote working arrangements allow KPMG firms to pivot operations amid climate-related disruption. *Client and wider socio-economic-related disruption* • The KPMG global organization is well diversified by sector and geography, which limits the potential impact of disruption in one particular sector or geographic location.

[1] A physical climate risk assessment was completed for the majority of KPMG's offices globally, using 1.5°C, 2.5°C and 5°C warming pathways across eight different hazards. Results showed that more than 8 percent of offices will be deemed high risk by 2030, with projected increases in subsequent years. More details on how this risk could emerge under different scenarios can be found in Strategy and scenario analysis: Scenario analysis: Physical risk.

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Risk	Category	Description	Time horizon	Likelihood	Impact	KPMG approach
Market/ financial risk	Transition risk	Contraction or failure of specific industry sectors with high exposure to transition risk	Medium to long term	Very likely	KPMG firms' 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 of businesses failing to transition include: • 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 decarbonize. • Failure of KPMG firms to adapt their services and products to client needs as they transition to a net-zero economy, including supporting them with decarbonization and climate transition. Scenario analysis highlighted key client sectors that may be impacted by climate-related risks. More detail on how this risk could emerge under different scenarios can be found in Strategy and scenario analysis: Scenario analysis: Transition risk scenario analysis findings.	**Mitigation** *Portfolio business model* • KPMG 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. *Services and product offering* • Within our multi-disciplinary 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 decarbonization journey. *ESG training* • We will continue to upskill our people with training on ESG, climate risk and transition services, including collaboration with leading academic institutions such as the University of Cambridge Judge Business School, New York University, and the European Business School (EBS).

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Risk	Category	Description	Time horizon	Likelihood	Impact	KPMG approach
Market/ financial risk	Transition risk	Failure to appropriately decarbonize our operations, supply chain and property portfolio	Medium term	Likely	The direct financial impact of failing to appropriately decarbonize our own operations and our supply chain could result in: • Increased overhead costs due to the increased cost of carbon, both directly through taxation and indirectly via our supply chain. • Increased supplier costs amid more-stringent climate requirements. • Increased recruitment costs. Scenario analysis highlights the potential impact of increased carbon costs on KPMG's business. More details on how this risk could emerge under different scenarios can be found in Strategy and scenario analysis: Scenario analysis: Transition risk scenario analysis findings.	**Mitigation** • KPMG has set a 2030 SBT and will continue to refine our decarbonization plan, including travel management and supplier engagement. • We will set an appropriate long-term 2050 decarbonization and net-zero target. • We will continue to demonstrate progress on climate commitments through transparent reporting. Further details of these initiatives and our progress to date can be found in the Metrics and targets section.
Reputational	Transition risk	Actual or perceived failure to demonstrate the expected commitment to climate change	Medium term	More likely than not	KPMG is seeing increasing expectations from a range of key stakeholders, both internal and external, regarding our approach to climate change, climate transition and our progress on commitments. If KPMG fails or is perceived to fail to meet stakeholder expectations, the reputational damage could result in: • Revenue loss as clients or potential clients are unwilling to engage with us. • Inability to work with leading suppliers in business-critical areas. • Recruitment costs related to increased employee turnover and challenges in recruiting talent.	**Mitigation** • KPMG firms frequently engage with stakeholders, including clients, governments, our people, the charitable sector, regulators and industry bodies and the general public, to understand how their expectations around climate change issues are evolving. • KPMG's Our Impact Plan has been developed in tandem with our client-facing subject-matter experts, ensuring that best practices and client expectations are considered under the strategy. • Additionally, we are supporting climate and ESG initiatives beyond our value chain, such as the development of industry standards and grant support for nature initiatives, in line with our strategic societal net-zero objectives.

Risk	Category	Description	Time horizon	Likelihood	Impact	KPMG approach
Regulation	Transition risk	Failure to comply with current and emerging regulation	Short term	Virtually certain	KPMG is subject to an increasing number of climate and sustainability-related regulations, including disclosure standards and carbon taxes. Future legislation may also require changes to the KPMG business model, affecting direct operations as well as the type of services provided to clients. Failure of KPMG International or a KPMG firm to meet regulatory requirements may have financial and reputational impacts. For example, KPMG's firm in the UK, and approximately 18 firms across the EU, will be required to disclose greenhouse gas emissions and climate risk data, as per the recommendations of the TCFD, due to changes to the UK's Companies Act and the EU's Corporate Sustainability Reporting Directive (CSRD).	**Mitigation** • This risk is managed by each KPMG firm individually as part of business-as-usual practices. KPMG firms have their own governance arrangements and are responsible for managing their own compliance with applicable regulations and laws, in line with KPMG International policy (with which they must comply), KPMG Code of Conduct and values.
Market/ financial risk	Transition	Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets in pension or other investments	Medium term	Likely	Where a KPMG firm has pension or retirement funds, and other investments, there is a risk of asset or investment impairment/devaluation, or additional costs, due to: • An investment's exposure to transition risk (and failure to transition effectively); • Failure to comply with emerging regulatory climate reporting.	• This risk is managed by each KPMG firm individually as part of business-as-usual practices. KPMG firms have their own governance arrangements and manage assets and liabilities individually.

Table 3 — Key climate-related risks faced by KPMG

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Key climate-related opportunities for KPMG

Opportunity	Opportunity drivers	Time horizon	Likelihood	Impact	KPMG approach
Differentiating ourselves as a market leader in climate and ESG	Enhancing reputation Increasing market share	Medium term	Very likely	Expectations are increasing among a range of key stakeholders in terms of understanding KPMG's approach to climate change and climate transition. There is an opportunity for KPMG to differentiate itself as a market leader in climate and ESG, encompassing internal commitments and the professional services KPMG firms provide, ultimately helping to maintain trust with our clients, the markets and other stakeholders. Increased trust supports our growth ambition, as this will enhance our revenue, talent attraction and retention, and operational efficiencies.	Various responses have been implemented to ensure we demonstrate our commitments to climate and ESG. KPMG firms frequently engage with key external stakeholders to understand how their expectations around climate change issues are evolving. Key focus areas include: • Proactively responding to emerging regulatory developments and supporting the development of frameworks and standards such as the TCFD. • Setting clear targets and commitments for managing climate risks and impact, and providing transparent updates on progress. • Contributing to climate, decarbonization and ESG efforts through thought leadership. • Maintaining quality and innovation in our climate and ESG-related services. • Identifying areas where KPMG firms could provide pro bono support to clients.

Opportunity	Opportunity drivers	Time horizon	Likelihood	Impact	KPMG approach
Products and services — Increased demand for ESG advisory/ professional services	New products and services Enhancing reputation Increasing market share	Short to medium term	Very likely	Increased demand for climate and ESG-related professional services, if capitalized upon, improves future revenue and financial resilience. Additionally, maintaining quality and innovation will further enhance our reputation and trust in KPMG, enhance employee attraction and retention, and potentially support new partnerships and alliances on future go-to-market offerings. KPMG recognizes its most-significant lever for positive ESG impact is through client work by KPMG firms and the role they play in helping clients respond to a range of climate and ESG challenges, driven by regulation, strategy and purpose.	KPMG's global strategy has been developed with a focus on the impact of ESG across all professional services in order to capitalize on potential growth areas amid the global economy's transition to net-zero. Service and product development is based on subject matter expertise, sector insights, regional knowledge and alliance partners. We have adopted an approach of aligned investment across KPMG's firms, allowing firms to 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. Client opportunities can be categorized into three broad areas: • 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	Capacity building New products and services Increasing market share	Medium term	Very likely	KPMG recognizes 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. More details on how this opportunity could emerge under different scenarios can be found in Strategy and scenario analysis: Scenario analysis: Transition risk scenario analysis findings.	KPMG's global strategy has been developed with a focus on the impact of ESG across the breadth of our professional services, with KPMG firms aligning, expanding and tailoring offerings both to support clients through low-carbon transition and capitalize on potential growth areas within the global economy's transition to net-zero. By integrating the findings from this analysis into our ESG and business strategy, sector-specific services and solutions being developed are enabling us to capitalize on growth in these sectors and support our clients in maximizing their opportunities, further supported by investments in our people and technology.

Table 4 — Key climate-related opportunities for KPMG

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Scenario analysis

We conducted quantitative scenario modelling using 4°C and 1.5°C scenario pathways to represent a baseline or 'business-as-usual' pathway and a 'Paris-aligned'[2] trajectory, respectively. These scenarios align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and utilized our proprietary KPMG Climate IQ tool. The transition-scenario analysis used data from 10 KPMG Reporting firms, representing approximately 70 percent of revenues and various regions across the global organization, therefore giving a broad view of climate-related risks and opportunities.[3] KPMG firms were selected to serve as good regional proxies for local exposure profiles.

The baseline scenario considers how the global economy could look in the absence of new policies beyond those in place today. The Paris-aligned scenario, conversely, simulates a potential future pathway of the world economy, assuming a successful introduction of climate policies to limit global warming to 1.5°C above pre-industrial temperatures. Both scenarios are underpinned by the Shared Socio-economic Pathways (SSPs) published by the International Panel on Climate Change (IPCC).[4] The results of the scenario analysis help us to understand how key trends and changes to the economy may impact our global organization.

Further details on the approach, assumptions and limitations can be found in the Appendix.

Scenario components	1.5°C warming	4°C warming
Economic constraints	Moderate global population growth which levels off in the second half of the century. GDP growth in line with historical trends.	
Policy expectations	Global climate policies align emissions to 1.5°C pathway.	No further climate policy intervention.
Physical impacts	Reduced likelihood of severe climate-related weather events.	Likely increased severity of climate-related weather events.

Global emissions trajectory in 1.5°C and 4°C pathway

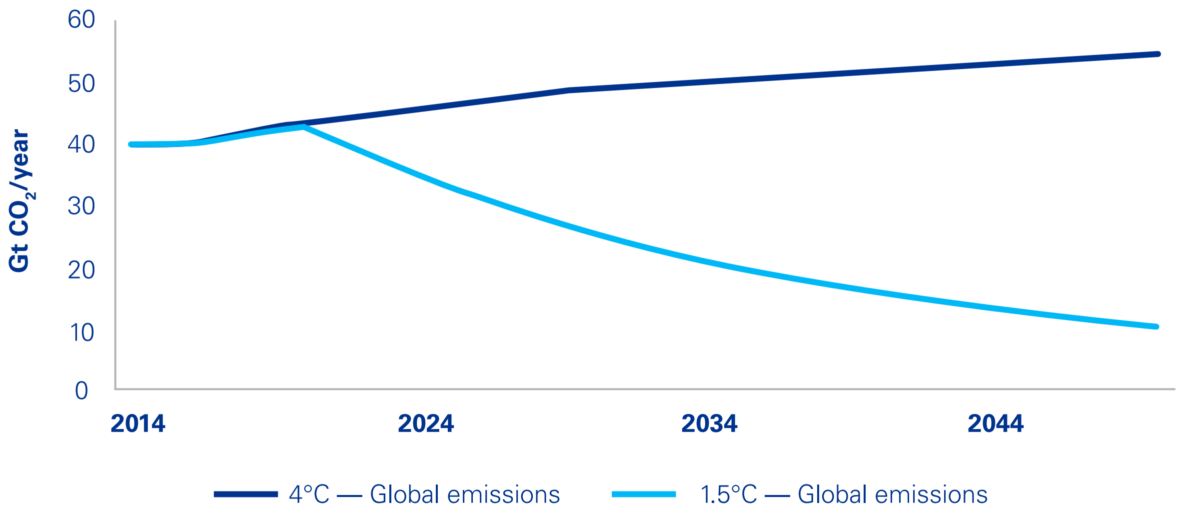

Figure 5 — Global emissions trajectories under 1.5°C and 4°C warming scenarios

Note: 1 Refer to the Appendix for details of the scenario analysis approach, assumptions and limitations.

[2] Paris-aligned refers to alignment to the Paris Agreement, which sets out a target to limit global warming to "well below" 2°C and ideally 1.5°C by 2100.
[3] In-scope KPMG firms: Australia, Brazil, Canada, China, France, Germany, India, Japan, UK and the US.
[4] Shared Socio-economic Pathways (SSPs) are paired with Representative Concentration Pathways (RCP).

Transition risk scenario analysis findings

Client services

Our greatest transition risks and opportunities are as a result of transition impacts — predicted contraction and growth — on the sectors to which KPMG firms provide services. Given KPMG's multi-disciplinary model, and our exposure to numerous geographies and sectors, transition risks are unlikely to significantly impact our business model and overall revenue ambition. However, the scenario analysis highlighted eight key client sectors that could experience significant impacts from the transition between now and the year 2050 in the 1.5°C scenario, compared to the baseline scenario. The following provides an overview of the transition impacts to client sectors:

- **Risk:** High transition risk sectors include energy and natural resources sub-sectors, specifically oil and gas and mining, which may inevitably experience losses if they are unable to adapt to the net-zero global economy and reduced consumption of fossil fuels. The oil and gas sector may experience the greatest contraction in a 1.5°C scenario, as this will likely feature low-carbon renewable energy sources and higher carbon prices. Risk to the mining industry is, similarly, driven by an expected reduction in global coal extraction and consumption as part of the transition under the 1.5°C scenario. These sub-sectors might improve resilience by adapting their businesses to the needs of the transition — for example, diversification and expansion of the mining industry into metals and minerals needed to facilitate the energy transition. KPMG will continue to work closely with clients in these sub-sectors to pursue emerging opportunities as they transition to net-zero and adapt their strategy and resilience efforts.

- **Opportunities:** The analysis also identified six sectors which are expected to grow in the 1.5°C scenario, presenting opportunities for KPMG firms. Substantial growth is expected for the power and utilities sector, driven primarily by growth of the renewable energy sub-sector, which is fundamental to a low-carbon economy. The transport and leisure sector is expected to grow amid increased transportation and leisure services costs in the period to 2050, despite expected declines in demand. The building and construction industry is expected to grow significantly to keep pace with increased demand. Additionally, banking and asset management sectors are expected to grow, as they may primarily face transition risks indirectly via the activities and sectors in which they invest. It is assumed that these sectors may protect their growth in the period to 2050 through diligence and planning regarding exposure of their investment portfolios.

Our greatest transition risks and opportunities are as a result of transition impacts — predicted contraction and growth — on the sectors to which KPMG firms provide services. Given KPMG's multi-disciplinary model, and our exposure to numerous geographies and sectors, transition risks are unlikely to significantly impact our business model and overall revenue ambition.

Note:

1. Refer to the Appendix for details of the scenario analysis approach, assumptions and limitations.

Operational impacts

In addition to identifying priority sectors that may be impacted by the transition to a low-carbon world, the KPMG Climate IQ tool provides additional economic insights and corresponding financial impacts under the modelled scenarios. KPMG's total operational costs are projected to be significantly higher by 2050 in the 1.5°C scenario relative to the 4°C scenario. All cost categories could increase in a 1.5°C scenario compared to a 4°C scenario due to the policy changes required to support the transition to a low-carbon economy.

Scope 1 carbon costs (CO2e — scope 1) and renewable electricity costs are expected to exhibit the most-significant differences by 2050 in terms of percentage change over the period, the former being assumed to grow amid increased carbon taxation. Similarly, renewable electricity costs are expected to increase sharply amid the combined effects of carbon taxation on fossil-fuel-generating technologies and scarcity of low-carbon power driven by deployment constraints. Following a period of fluctuation to 2030 for Scope 1 carbon costs — due to differences in assumed start dates of carbon taxation across different countries — costs for both categories are projected to increase through the remaining period and become most-pronounced between scenarios by 2050.

Projected transition impact on cost categories

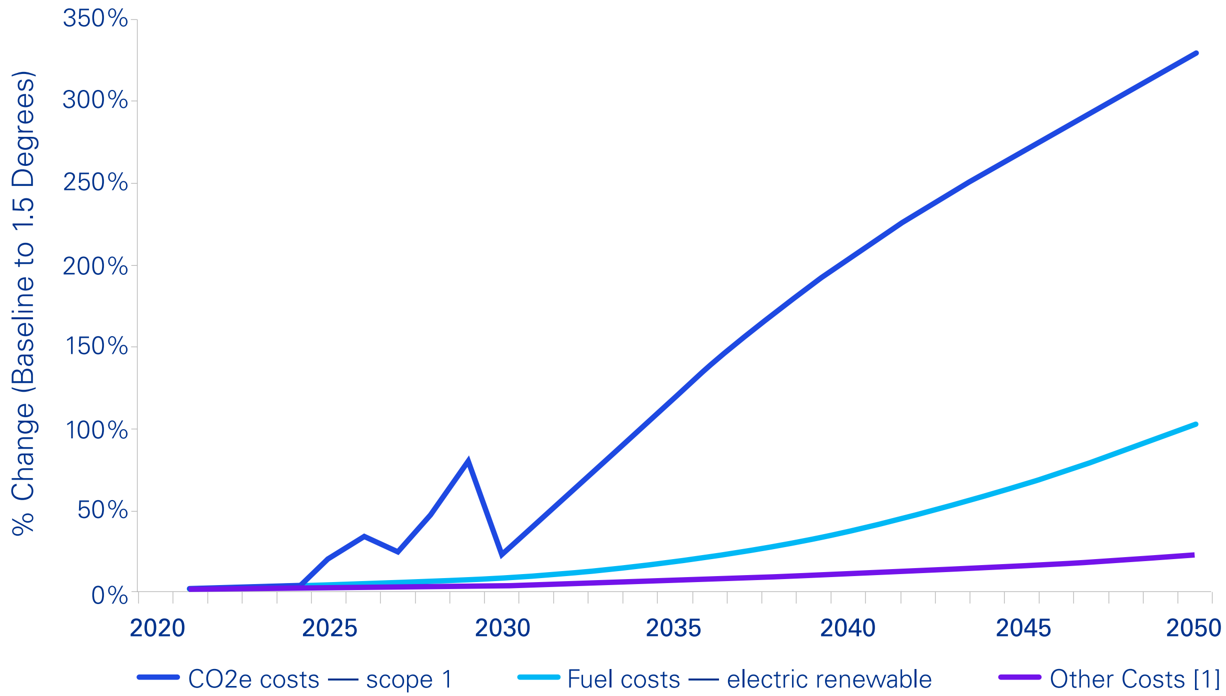

Figure 6 — Projected transition impact on cost categories

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Physical risk scenario analysis findings

A physical risk assessment[5] was performed to evaluate the exposure of KPMG offices around the globe to the physical impacts of climate change up to the year 2100. Climate scenarios including 1.5°C, 2.5°C and 5°C warming pathways (RCP 2.6, RCP 4.5 and RCP 8.5, respectively) were considered across eight different hazards:

01 Coastal inundation;
02 Soil movement;
03 Pluvial or surface flooding;
04 Riverine flooding;
05 Extreme wind;
06 Forest fire;
07 Freeze-thaw;
08 Extreme heat.

(Please see definitions provided in the Appendices.)

The analysis found that by 2030, under the 5°C warming scenario, 8 percent of our offices are deemed to be at high-risk from physical climate change impacts, and the number is expected to increase to 17 percent by the year 2100. The modelling suggests that several areas will experience an increase in the proportion of their high-risk properties. These climate impacts could not only affect the physical locations and infrastructure, but also our staff, local communities and the local economy. As locations become undesirable for people and organizations, they also become undesirable for buyers, investors and insurers.

Analysis of exposure by hazard type forecasts that extreme wind and soil movement have the potential to impact the greatest number of our offices in both the short and long term.

Physical risk management

KPMG locations and offices are managed by the local KPMG firms. This output of the physical risk analysis has been shared with KPMG International's Operational Resilience function and KPMG firms, so they can better understand how climate change will affect their local offices and people, communities and regions, and to update and enhance their local business resilience and continuity arrangements should the world see the worst effects of climate change.

Number of offices exposed to each hazard:

Hazard	Number and proportion of offices exposed by 2100 (5°C warming scenario)
Extreme wind	100 percent
Soil movement	84 percent
Riverine flooding	29 percent
Surface-water flooding	10 percent
Coastal inundation	8 percent
Forest fire	1 percent

Table 5 — Number of offices exposed to each hazard

[5] Physical risk assessment provided by XDI: The Cross Dependency Initiative.

Integrating the findings of scenario analysis into risk management and business planning

Integration of the outcomes of our climate risk and opportunity assessment and scenario analysis into our finance, business planning, risk and other relevant processes — for instance KPMG International's ERM framework (see Risk Management for more information) — is continually evolving and improving. Our progress in these areas also forms part of the evaluation of our climate strategy and performance, which our Global Board reviews annually.

As part of integrating these findings, we have identified seven key levers to support us today and in the future on our journey to achieving net-zero and embedding climate more deeply into our business processes long term.

Our route to net-zero

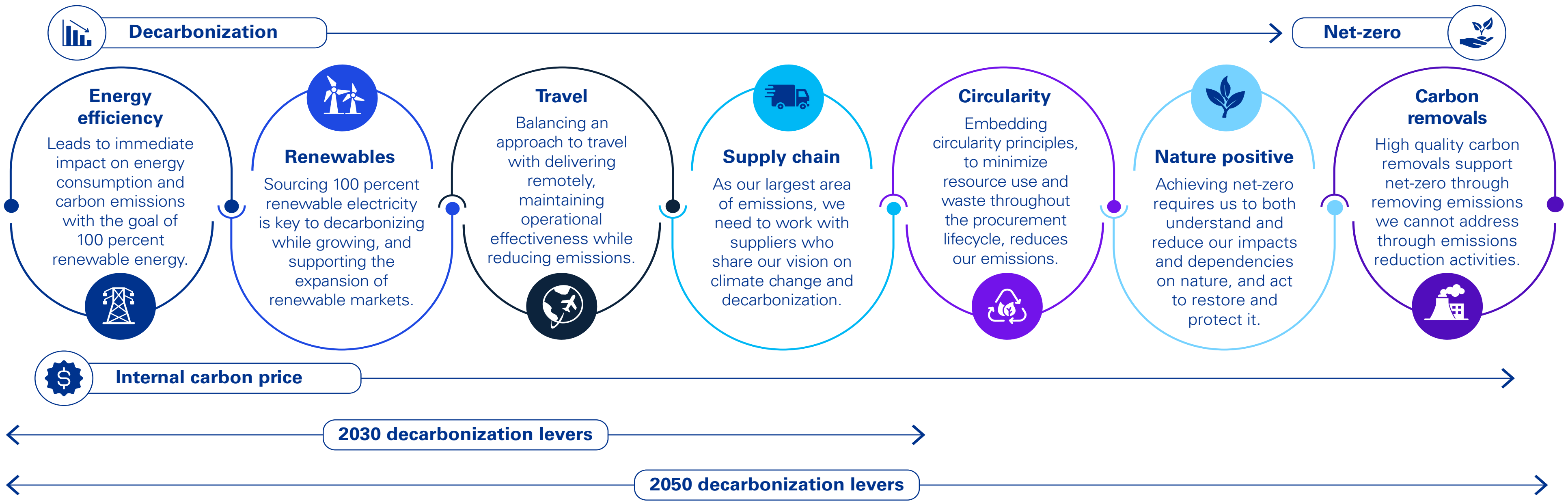

Figure 7 — Key levers for integrating climate into our business operations

We have integrated climate considerations into our risk management and business planning in the following ways:

1. **Indirect costs and investment expenditure**
KPMG's indirect costs are linked to our emissions and energy consumption. Our Global Climate Response (GCR) program assesses the risks and opportunities of direct operations associated with climate change, providing KPMG firms with a framework to identify and implement emissions and energy-saving measures, including specifying green building standards where practicable. In the long term, this helps manage KPMG's exposure to an increased cost of carbon.

2. **Decarbonizing our supply chain**
We actively engage our suppliers and other organizations on climate-related issues. From 2021-2023, KPMG International and 10 KPMG firms engaged in the CDP Supply Chain Program. This helped us understand the approach of suppliers, representing approximately 70 percent of procurement spend, to decarbonization, emissions targets and progress. This in turn enabled us to develop a supplier roadmap and globally aligned KPIs, and to enhance the accuracy of Scope 3 Category 1 reporting (Purchased Goods and Services).

3. **Internal carbon price**
In 2022, an internal carbon price (ICP) was established by KPMG International and is being used by the majority of Reporting KPMG Firms. The ICP is designed to help incentivize changes in behaviour and ensure climate is integrated into our decision-making process, while producing an investment budget to support decarbonization initiatives.[6] A primary objective for the ICP within KPMG is to support a reduction in corporate air travel — a significant contributor to our carbon emissions. KPMG International has an ICP floor price which many KPMG firms' exceed based on local objectives and economic considerations. We recognize the price will need to increase over time and we will follow leading practices, including guidance set out by the High-Level Commission on Carbon Prices to ensure KPMG International's ICP appropriately integrates the cost of carbon into our operations.

The ICP funds raised will, at the discretion of KPMG firms, be invested in decarbonization activities considered to be most impactful, including direct operations and facilities' efficiency, through to nature-based solutions supporting societal net-zero. Please see the KPMG: Our Impact Plan 2024 update for more information.

4. **Acquisitions and divestments**
KPMG International made no acquisitions or divestments during the financial year 2023 reporting period. As KPMG firms are locally owned and managed, any acquisitions and divestments made by KPMG firms are not included in this disclosure. However, these transactions must comply with KPMG's Global Code of Conduct and Global Values, which align with the UN Global Compact. The process for acquisitions and divestments, and the due diligence required in these transactions, is evolving with leading practices and our understanding of ESG and climate change.

5. **ESG investment**
ESG client services and the impact of ESG across the range of professional services KPMG firms offer are key focus areas for our global strategy. To support this, KPMG's strategy involves aligned investment across KPMG firms to develop services that meet the future ESG demands of clients in Audit and Assurance, Tax and Legal and Advisory. This includes developing our people and skills, alliances, tools, and data and analytics solutions to support KPMG firms' clients in being aligned to regulatory, strategic and purpose-led opportunities.

[6] The ICP applies to Scope 1, Scope 2 and Scope 3 Business Travel (Category 6) emissions.

Research and development (R&D) aligned, KPMG firms' investments are being made at the intersection of ESG and technology, helping our clients integrate ESG into their core business metrics, strategy and decision-making processes.

Examples of our strategic investment in R&D include:

- **Our global decarbonization hub**, which plays a critical role in coordinating our efforts with professionals across KPMG firms on a range of topics, including energy transition, built environment, climate policy, climate risk and carbon markets. Our subject matter experts work collaboratively to bring clients new solutions based on global learnings, best practices and ESG research.
- **Leveraging technology and helping clients assess climate risks under a range of scenarios with KPMG's Climate IQ** — our multi-disciplinary risk-management tool enables companies to identify, quantify and manage their physical and transition risks due to climate change. The tool was launched at the end of 2021 and scaled and evolved through 2022 and 2023.
- **A dedicated budget for low-carbon product R&D** within several KPMG firms, allowing us to publish cutting-edge research related to a wide range of sustainability issues, including climate-related risks and opportunities.

6. Carbon credits, removals and beyond value chain mitigation

In line with the SBTi Net-Zero Standard [7], KPMG recognizes that some emissions cannot be abated through decarbonization alone, therefore carbon removals will have a key role to play in reaching net-zero at an appropriate point in our decarbonization journey. Additionally, KPMG recognizes the imperative for increased investment in Beyond Value Chain Mitigation (BVCM), both to support efforts toward societal net-zero and the restoration and preservation of nature and biodiversity. This is especially relevant given the reach of our global organization.

At the same time, we understand the impact that low-quality carbon offsetting could have on our reputation and in hindering progress for the global economy's transition. Therefore, we are working to define a consistent, credible approach to carbon credits and BVCM that is aligned to: guidance provided by the SBTi; other independent bodies supporting trust and transparency on the buy- and sell-side of carbon credits; and our client-facing experts. Our emissions reporting currently does not include offset emissions and carbon removals.[8] Our Decarbonization Hub and KPMG International are working to develop further guidance for KPMG firms on best practices and principles that will inform a unified global approach for carbon credits and BVCM.

KPMG International, as part of our BVCM strategy and to facilitate the future use of carbon credits on our net-zero journey, is currently investing in projects on the ground, such as our alliance with WWF (see the call out box). A number of KPMG firms are also considering external alliances to support BVCM through nature-based solutions.

New three-year alliance with WWF

In 2023, KPMG International formed a three-year alliance with WWF-UK[9] to support two important nature-based projects in Latin America and Africa over the next three years:

- Securing Colombia's Protected Areas
- Trillion Trees in East Africa

The funds for these projects will come out of funds raised by KPMG International's Internal Carbon Price.

[7] The Corporate Net-Zero Standard — Science Based Targets.
[8] This does not include reductions from the purchase of RECs (renewable energy certificates)/EACs, which are considered in our emissions reporting.
[9] Executing on KPMG's OIP Commitments.

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Emerging areas of focus

Although we have made progress integrating climate considerations into our business and working towards targets to achieve our net-zero ambition, we know that we can and should do more. We are committed to continuing our work toward the following goals:

1. **Transition planning transparency**
   We understand the importance of a robust and transparent transition plan to deliver on our targets and wider commitments. Certain elements of our transition plan are underway, such as the mapping and tracking of decarbonization levers, defining an Internal Carbon Price, and the tracking of climate metrics toward the achievement of KPMG's net-zero commitments and goals. Further details on climate metrics can be found in the Metrics and targets section of the report.

   Furthermore, we continue to develop and refine our approach to transition planning, taking into consideration evolving guidance from the Transition Plan Taskforce (TPT), as well as the experience of KPMG's client-facing professionals.

2. **Circular economy**
   A circular economy reduces material use and emissions associated with the production of materials that traditionally go to waste. In 2022, KPMG International developed a circularity strategy and roadmap supporting member firm operations, including supply chains. This involved a holistic approach that focuses on circular procurement, avoiding waste, optimizing material use and enhancing end-of-life treatment.

3. **Nature and biodiversity**
   We recognize that our environmental impact and duty goes beyond decarbonization to include a wider range of interconnected impacts, as climate change and nature loss are intrinsically linked. Business activities contribute to direct and indirect drivers of nature loss, creating risk — and opportunities — for business and society. We have a role to play in the transition toward a nature-positive economy.

   KPMG International has implemented a biodiversity plan as part of our ambition to become a net-zero business. This includes supporting the journey toward a nature-positive future through KPMG firms' work with clients and in our operations. We will continue to develop our thinking and align to leading practices through initiatives like the Taskforce on Nature-related Financial Disclosures (TNFD), to help ensure our approach to business considers the impact and dependencies on nature.

KPMG International has implemented a biodiversity plan as part of our ambition to become a net-zero business. This includes supporting the journey toward a nature-positive future through our work with clients and in our operations.

Risk management

We define climate risk as the potential for climate change to create adverse consequences for human or ecological systems which undermine financial stability. This includes impacts on: lives, livelihoods, health and wellbeing, economic, social and cultural assets and investments, infrastructure, services, ecosystems and species. Climate risks are categorized as either physical or transition risks.

We measure, monitor and manage climate risk as part of our wider ESG risk, which we define as a failure to understand, prepare for and take action to mitigate potential risks across the ESG agenda that could erode our license to operate or negatively impact our brand. Specifically, this includes the failure to build climate risk resilience into our global organization, leaving us exposed to natural disasters, unable to transition to meet market demands, or exposed to negative analyst commentary that could adversely affect our Trust and Growth ambition.

Introduction to the KPMG global risk management framework

KPMG International has an Enterprise Risk Management (ERM) program led by the GMT and overseen by the Global Board's Quality, Risk Management and Reputation Committee and, ultimately, the Global Board. The program uses KPMG's internal risk-assessment criteria and Dynamic Risk Assessment tool to identify, connect and visualize risks across four dimensions: **impact, likelihood, time horizon** and **connectivity**. Furthermore, this process has been informed by KPMG's climate-scenario analysis using KPMG's Climate IQ methodology (details can be found in the Strategy section).

KPMG International's Global Board has delegated responsibility to the GMT for managing the ERM process, reviews of priority risks (of which ESG risk is one) on a quarterly basis, with the Global Board reviewing annually. In addition, KPMG firms are required to have an ERM process that identifies, manages and reports on risks, these risks are reported annually to KPMG International. KPMG International ERM team aggregates and analyzes the information on the risk exposures across the KPMG global organization.

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Integrating climate into Enterprise Risk Management

We recognize the potential for cross-cutting impacts from climate and ESG across our global organization. Accordingly, in FY23 we updated the KPMG International ERM framework to formally integrate ESG, including climate, into our business-as-usual risk management, elevating ESG to a priority risk that is owned by KPMG International's GMT and overseen by the Quality, Risk Management and Reputation Committee, which is a committee of KPMG International's Global Board.

Key Risk Indicators for ESG include the failure of KPMG 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, our actions and the actions of KPMG firm clients;
- 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.

Additionally, we are continuing to improve the integration of climate into existing enterprise risks. The output of the scenario analysis for physical and transition risk aligns primarily our Business Resilience and Business Model, respectively, and will help improve our future operational and financial resilience.

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Risk materiality and time frame within ERM

Risk rating criteria — impact

Risk materiality is assessed based on consistent criteria for all priority risks, including ESG, based on rating, likelihood and time horizon.

Risks are categorized as minor, moderate, major or catastrophic based on internal risk-rating criteria that defines impacts across seven key areas. These criteria provide a consistent framework for rating risks within the global organization. However, KPMG firms may need to apply judgment based on jurisdictional requirements and firm-specific considerations.

'Substantive' or material risks are defined as those with the potential to impact annual revenue for a KPMG firm by 6 percent to 20 percent, with strategic risk defined as risks that could impact a KPMG firm's ability to achieve its stated strategy or maintain its current business model.

Risk rating criteria — likelihood

Risks are also assessed based on likelihood that the event will occur. Likelihood is defined based on the following criteria:

Level	Description	Definition	Likelihood
1	**Remote**	Risk not likely to occur in the three-year period being considered.	<10 percent chance of occurrence
2	**Low**	Risk may occur in the three-year period being considered.	10–30 percent chance of occurrence
3	**Medium**	Risk likely to occur within the three-year period being considered.	31–60 percent chance of occurrence
4	**High**	Risk more likely than not to occur within the three-year period being considered.	>60 percent chance of occurrence

Table 6 — Risk rating criteria: Likelihood

Risk rating criteria — 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, these timeframes are appropriate to the nature of our business. While we understand climate risk needs to be assessed over a longer timeframe than 10 years (as reflected in our scenario analysis), the vast majority of our physical locations and infrastructure are leased, with the transition-risk scenarios currently being considered as a key part of our strategy and our trust and growth agenda. Going forward, these time horizons will be assessed and updated when necessary.

	Time horizon (years)	Rationale
Short-term	**0–1**	Alignment with the business planning process, and any risks associated with the short-term business objectives under this.
Medum-term	**2–3**	Alignment with the three-year period for assessing and managing risks under the ERM process.
Long-term	**4–10**	Due to the longer-term nature of ESG and specifically climate-related risks, KPMG currently considers long-term risks up to a 10-year time period (aligning with our near-term Science-Based Target). This is subject to review as we assess and manage material ESG risks to our global organization.

Table 7 — Risk rating criteria: time horizon

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Risk rating criteria — connectivity

The final element, connectivity, is assessed via Dynamic Risk Assessment, using the first three measures of risk classification to create a risk network that visually depicts traditional impact and likelihood heatmaps, and incorporates additional theory on risk inter-connectivity to define dependencies and risk clusters. This assessment provides a basis for assessing the most-influential risks and interrelated impacts in order to shape mitigation strategies.

Managing climate risks

KPMG International's ERM process cascades enterprise risks to KPMG firms and includes requirements for management and reporting to KPMG Interntaional. Separately, KPMG firms independently identify enterprise risks. KPMG firms typically take the following approach to enterprise risks:

01 Assign a risk owner to ensure accountability.

02 Develop, implement, manage and oversee an appropriate risk response, which entails key processes, activities and controls either in place or planned to manage and/or mitigate the risk and/or reduce the likelihood and/or severity of impact.

03 Assess the adequacy of risk response and determine if risk actions in place or planned are appropriate, or if minor or major improvements are required.

04 Document and provide necessary information to KPMG firm senior leadership, at least annually, to facilitate their review.

At least annually, KPMG firm senior leadership reviews and reports to KPMG International the status of identified risks, including the adequacy of our risk response and progress made to reduce risks to an acceptable level. In addition, senior leadership considers if there any significant emerging risks that warrant consideration as an enterprise risk or, conversely, enterprise risks that have decreased in exposure and are no longer significant enough to be enterprise risks. Regulatory horizon scanning is also performed at the KPMG firm level to identify applicable requirements based on jurisdiction, as non-compliance could pose reputational risks to KPMG.

The integration of ESG as a priority risk into the ERM framework ensures that it will be considered and managed according to the same process as other traditional risks and subject to the same levels of escalation and oversight.

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Our targets and commitments

KPMG International has endorsed commitments and targets around emissions reduction, renewable energy use and Internal Carbon Pricing.

More information on each of these targets and commitments, along with progress tracked against them, is set out below.

Target or commitment	Description
1.5°C aligned emissions-reduction target by 2030 validated by the Science Based Target Initiative	50-percent reduction of KPMG's direct and indirect greenhouse gas (GHG) emissions by 2030 against a 2019 baseline. KPMG is assessing the Net-Zero Standard and the 2050 timeline as set out by the Science Based Target Initiative.[10]
Renewable energy target for electricity consumption (RE100 members)[11]	100-percent renewable energy procurement by 2030.
Internal Carbon Price	Endorsed by KPMG International and used within the majority of our Reporting KPMG Firms for Scope 1, Scope 2 and Scope 3 business travel (Category 6) emissions.

KPMG's greenhouse gas footprint

On an annual basis, KPMG runs the GCR process to estimate global emissions for the KPMG global organization. For FY23, activity data from firms representing approximately 94 percent of the KPMG global organization's headcount was collected to support this. Additionally, through the CDP Supply Chain Program, suppliers representing approximately 70 percent of global procurement spend were engaged to understand more about their approach to climate-risk management and to gather emissions information.

To further improve the accuracy of this information, emissions data has been incorporated within our Scope 3 Category 1 Purchased Goods and Services footprint.

For the KPMG global organization, the two most-significant areas of emissions are Scope 3 Category 1 Purchased Goods and Services, and Scope 3 Category 6 Business Travel, where we are continuing to improve data and metrics to accelerate progress in these areas.

At present, the data is used to manage progress towards our 2030 SBT and long-term decarbonization ambition and support KPMG International's annual CDP response (on behalf of the KPMG global organization), and it is published annually within our OIP Update to demonstrate transparency is our decarbonization journey. For the KPMG global organization's latest GHG emissions information, please see the KPMG: Our Impact Plan 2024 update.

[10] Science Based Targets Initiative enables organizations to set science-based emissions reductions targets.
[11] RE100 is a global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100 percent renewable electricity.

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Supplier KPIs

KPMG International and 10 Reporting KPMG Firms currently participate in the CDP Supply Chain Program. To help improve the approach to supplier management and ESG, an aligned set of seven internal KPIs have been developed, helping us to understand where a supplier is on their decarbonization and climate journey and to prioritize areas of focus. This is a critical component of the KPMG global organization's SBT.

These KPIs include emissions reporting and assurance, the setting of SBTs and renewable-energy consumption.

Renewable energy

As part of the GCR process, data is collected on renewable-energy use across the KPMG global organization. Renewable energy is a critical lever to reduce global emissions and, by purchasing increasing amounts of renewable electricity and supporting RE100, we are playing our part in scaling renewables while reducing our operational GHG footprint.

At present, the data is used to manage progress towards our 2030 renewable energy target and support KPMG's annual RE100 response via CDP, and it is published annually within our OIP Update to demonstrate transparency is our decarbonization journey. For the KPMG global organization's latest renewable-energy information, please see the KPMG: Our Impact Plan 2024 update.

Other climate-related metrics

KPMG International also tracks several other climate-related metrics which inform the risk-management process. However, a formal target or commitment is not set for these. The table below sets out these metrics.

Metric category	Description	Use case	Periodic metrics 2022
Transition risks	Extent of revenue vulnerable to transition risks	Scenario analysis risk quantification	Maximum value at risk (MVAR)
		Scenario analysis risk and opportunity quantification	Revenue and operating costs
Physical risks	Extent of assets vulnerable to physical risks	Scenario analysis and risk quantification	Maximum value at risk (MVAR)
			Total technical insurance premium (or 'annual average loss')
			Number of high-risk properties (and as a percentage of all locations)
			Average annual failure probability
			Productivity loss
Climate-related opportunities	Proportion of revenue aligned with climate-related opportunities	Scenario analysis and opportunity quantification	Revenue by sector[12]
	ESG sales estimates for upcoming financial period		Member firm sales ambition/pipeline (ESG services)
Capital deployment	Investment in ESG services and solutions		Total global aligned investment across 10 strategic ESG professional services areas

Table 8 — Description of other climate-related metrics used

[12] 1-8 "period metrics" based on scenario analysis outputs

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Preparing our first Climate Risk Report has provided valuable insights on our progress in identifying and addressing climate impacts to date. This process has helped us to understand where progress has been made and where we need to improve — both within the disclosure itself and in relation to our many stakeholders involved internally. We are committed to building on our efforts to fully understand and articulate our climate-related impacts and to embed them into the heart of our business — applying lessons learned from this process to prioritize next steps, while continuing to engage all KPMG stakeholders to support our climate journey. We are confident that our commitment to this journey now and in the future will help us achieve our ambitions and have a lasting, positive impact.

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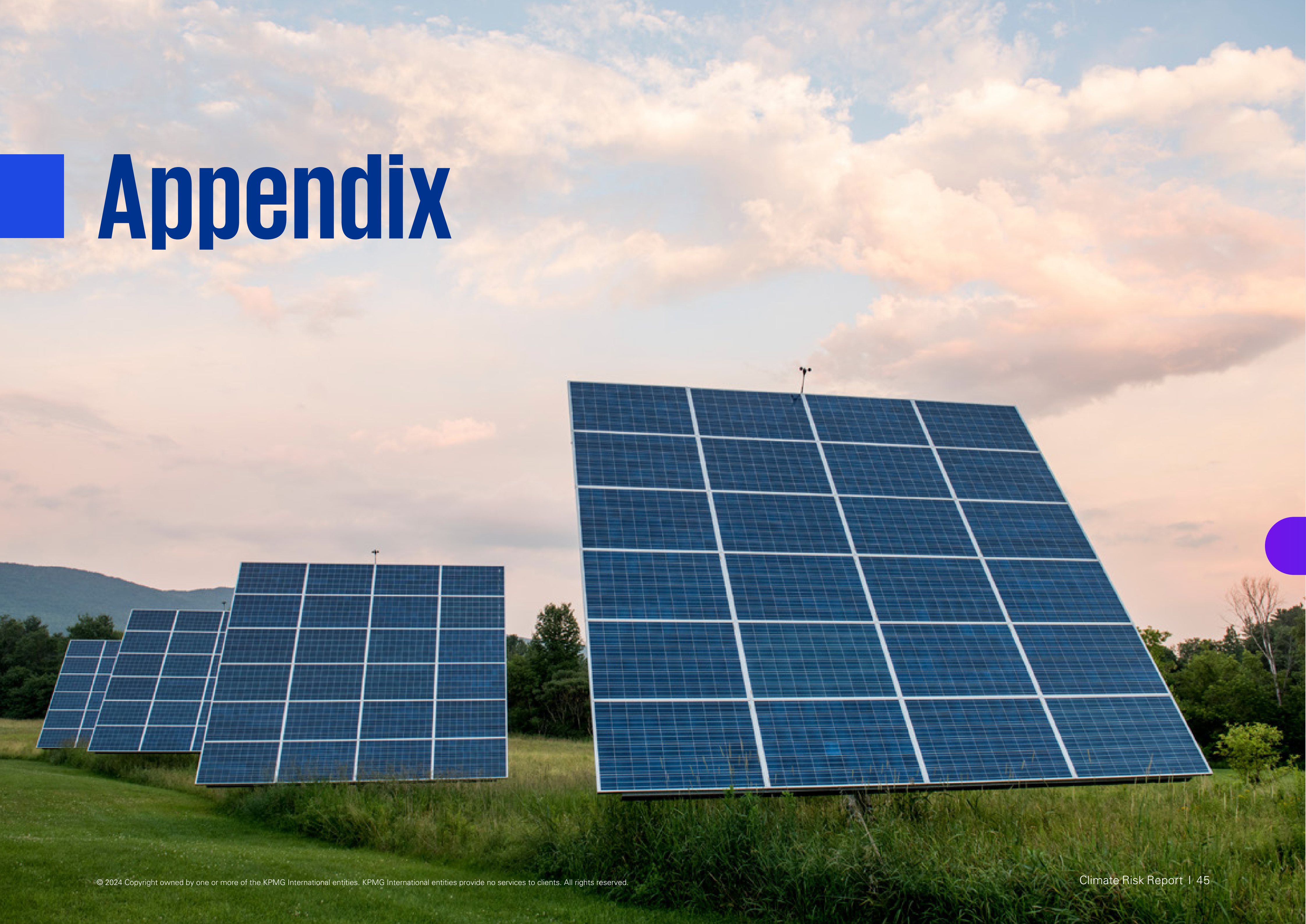

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Scenario analysis: approach, assumptions and limitations

We have used KPMG's proprietary scenario analysis tool, KPMG Climate IQ, to understand the resilience of our business to a range of climate scenarios, which is vital to our capitalizing on economic transition opportunities, mitigating climate-related risks and quantifying the impact of key risks and opportunities. Climate IQ combines the latest climate science from the Intergovernmental Panel on Climate Change (IPCC) with the latest economic analysis and includes input from an expert global team of climate specialists, economists and accountants. The underlying methodology provides a quantified and integrated, physical and transition risk and opportunity assessment. In the section below, we provide further details on our approach, assumptions and limitations of this scenario analysis.

Approach — transition risks and opportunities

We took a structured approach to defining a shortlist of the potentially most-significant climate risks and opportunities, which were carried forward for further analysis after refinement from an initial long list.

These risks and opportunities were categorized in alignment with TCFD definitions of transition risks, and we identified each potential risk and opportunity within KPMG's value chain. Using a data-based approach, we reviewed asset-level value chains to understand potential revenue and cost exposure to climate risks, in order to down select those which may be most-significant to KPMG's financial projections. This allowed us to better understand key areas of our potential exposure at particular points in the value chain.

By combining the qualitative long-list risk and opportunity analysis with the financial value-chain analysis, we identified a shortlist of eight transition risks and opportunities where analysis could provide the most insight and value into the significance of climate-related issues. This list provided indicative estimates of transition risks and opportunities in 1.5°C and 4°C scenarios.

Approach — physical risks

In order to understand our exposure to the acute and chronic physical risks that climate change may cause us, we analyzed the exposure of KPMG firms' offices under different climate scenarios, including 1.5°C, 2.5°C and 5°C warming pathways (RCP 2.6, RCP 4.5 and RCP 8.5).[13] Asset vulnerability assumptions and historical weather patterns were used to assess eight climate hazards defined below:

[13] Physical risk assessment and definitions related to physical risk provided by XDI: The Cross Dependency Initiative.

Hazard	Definition	Impact
Coastal inundation	Sea water flooding due to high tides, wind, low air pressure and waves can damage coastal land, infrastructure and buildings.	Damage to coastal buildings or infrastructure assets.
Soil movement	Soil movement due to changing rainfall patterns and drought causing subsidence damage to structures.	Subsidence damage to buildings or infrastructure assets.
Pluvial/surface flooding	Increased frequency of extreme rainfall leading to overland flooding.	Surface water (pluvial) flooding can damage low-lying buildings or infrastructure assets.
Riverine flooding	Changes in precipitation in a catchment that causes a river to exceed its capacity, inundating nearby areas.	Riverine flooding can damage low-lying buildings or infrastructure assets.
Extreme wind	Changes in wind regimes, sea surface temperature and wind speeds.	High wind conditions may exceed a building's design specifications and cause damage to buildings and infrastructure assets.
Forest fire	A destructive fire that spreads via trees and forests. Increased incidence of fire weather due to confluence of higher temperatures, high wind speeds and drier conditions.	Flames and heat from burning vegetation can damage buildings and infrastructure assets.
Freeze-thaw	Changes in annual freeze and thaw cycles as winter periods trend close to freezing point.	Saturated building materials freeze, expand and crack facades and structural elements.
Extreme heat	New extremes of high temperatures, more-frequent hot days and longer-lasting heatwaves.	Loss of use or failure of infrastructure, as well as human heat stress.

Assumptions and limitations

Every model can only provide a simplified understanding of an infinitely complex reality. Therefore, it is important for us to clearly set out the assumptions and limitations of our scenario-analysis modelling and incorporate those into our use case — both internally when we use the results to inform our financial and business planning, and externally to readers of our Climate Risk Report. The table below sets out the key assumptions that underpinned our scenario analysis, along with a description of impacts:

Assumption	Description of impact
We have assumed a direct correlation between sector growth/contraction and KPMG revenue growth/ contraction by sector.	The true relationship between sector outputs and KPMG firms combined revenues is likely to be quite complex. This relationship may vary by sector, by country and by KPMG service line. For our scenario analysis, we made a simplifying assumption of sector outputs being 100-percent correlated to KPMG revenues. In future iterations of our scenario analysis, we will analyze historical trends between sector revenues and correlate that with KPMG revenues per sector in order to refine this assumption.
10-percent discount rate under both climate scenarios	The 10-percent discount rate was used to calculate our Net Present Value under both climate scenarios considered. This is our standard base assumption used for climate scenario analysis. However, the assumption will be refined in future iterations of our scenario analysis.
Exposure to renewables	We have assumed a simplifying assumption that within our Energy and Natural Resources sector exposure, only the power and utilities sub-sector is exposed to the renewables business.
Exposure to sectors	We have assumed that KPMG firms' exposure to each sector will remain static over time, suggesting KPMG may not adjust its client portfolio in response to future market changes. KPMG's actual exposure to each sector would most likely vary over time. Future iterations of our analysis will consider different levels of exposure for sectors.
Building type: simple office archetype	Our physical risk analysis is based on the following 'simple office' archetype, which includes: design and construction materials with a wind rating for 1-in-500-year return frequency; floor elevation of 0.2 m; moderate-rigidity foundations; and no specialized forest fire protection. These design and construction settings materially impact the vulnerability of the modelled office to the hazards to which it is likely to be exposed.
Maximum value at risk (MVAR)	MVAR is an indication of damage-related impacts and will not provide a complete picture for non-damaging disruptions (Failure Probability) or the duration of impacts (Productivity Loss/Loss of Use).
Static portfolio	This analysis assumes that the existing portfolio of offices remains static over time, with no changes in the vulnerability of the offices due to adaptation or resilience measures.
Property risk index	Properties are indexed as high, moderate or low risk under the RCP 8.5 scenario based on an interpretation of the US government's FEMA index used for insurance.
Replacement costs	All properties have been assigned the same replacement value (US$1 million) and all hazards are assumed to be fully insured for all properties. Replacement cost is used to calculate MVAR but it does not account for variations in material or labour costs for regional versus metro areas. Therefore, actual dollar costs may be higher in metro and coastal areas.

Table 9 — Assumptions

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Limitations

Along with setting out the key assumptions of our scenario modelling, we want to be transparent about the model's limitations. As such, we have set out these limitations:

01

This year's modelling exercise has not considered the impact of KPMG's future strategic response to risks and opportunities during the simulation of a climate scenario.

02

Climate IQ has not assessed the climate-related economic impacts of one-off events on our financial performance, such as the Russia-Ukraine war and the COVID pandemic, or quantified impacts of isolated issues such as legal risks, which are heavily influenced by factors beyond low-carbon transition.

03

It is not possible to quantify all potential transition risks, such as litigation risk or consumer preference, that are expected as part of the low-carbon transition, as these risks are driven predominantly by behavioural change and societal attitudes.

04

Excluded physical hazards: The analysis only includes hazards specified — this does not include hurricane/cyclone, landslip, erosion, lightning or any other hazards apart from those specifically identified.

05

The severity of impact above the High Risk Property threshold is not shown and can give rise to severe business disruption, productivity loss and loss of value. This is not illustrated in the results.

KPMG global presence

For an up-to-date list of KPMG locations can be found here.

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Glossary of terms

Term	Definition
CDP	**CDP, formerly the Carbon Disclosure Project.** An international non-profit organization that helps companies and cities disclose their environmental impact.
CO2e	**Carbon Dioxide Equivalent.** A measure for greenhouse gases including but not limited to carbon dioxide, methane and nitrogen dioxide.
COP26	**The 26th Conference of the Parties.** Delayed from 2020 due to the Covid-19 pandemic, this was held in Glasgow in November, 2021 and attended by all signatories of the United Nations Framework Convention on Climate Change. COP27 was held the following year in Egypt, and COP28 was held in 2023 in Dubai.
CSRD	**Corporate Sustainability Reporting Directive.** The EU law that requires certain organizations to disclose information on how they operate and manage social and environmental challenges.
CRI	**Climate-Related Issue.** Inclusive of both climate-related risks and opportunities.
Acquisitions and divestments	Acquisitions are concerned with buying or merging with another company. Divestments involve the act of selling or disposal of a company.
ESOS	**Energy Savings Opportunity Scheme.** The scheme was established by the UK government in 2014 and requires organizations which fall under its remit to undertake an energy audit every four years, with the aim of identifying areas for reducing energy use and improving efficiency.
ERM	**Enterprise Risk Management.** The internal systems by which an organization identifies and categorizes risks, determines financial materiality for risks, and develops risk-mitigation and adaptation procedures.
ESG	**Environmental, Social and corporate Governance.** A broad term outlining the structure by which a corporation works on behalf of social goals, beyond the role of a corporation to maximize profits.

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Term	Definition
GCR	**Global Climate Response.** The process by which KPMG assesses the risks and opportunities of direct operations associated with climate change. Since its inception, it has provided KPMG firms with a framework to implement energy-saving measures, including specifying green building standards where practicable. To date, this has seen several firms specify LEED-certified buildings when moving or upgrading offices, which has helped achieve the global organization's decarbonization efforts to date.
GFANZ	**The Glasgow Financial Alliance for Net Zero.** A global coalition of leading financial institutions committed to accelerating the decarbonization of the global economy.
GHG	**Greenhouse gas.** All gasses that contribute to the global greenhouse effect. Generally used to reference anthropogenic (human-caused) carbon dioxide emissions. Emissions are categorized into three groups: Scope 1 (direct emissions), Scope 2 (indirect emissions — owned) and Scope 3 (indirect emissions — not owned).
GHG Protocol	**Greenhouse Gas Protocol.** A partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the GHG protocol sets the industry standard for measuring and managing climate-warming emissions.
Global Board	The **Global Board** of KPMG International Limited.
Global Management Team	The **Global Management Team** of KPMG International Limited.
ICP	**Internal Carbon Price.** An ICP is set by organizations and used to operationalize sustainable behaviour by disincentivizing high-carbon activities.
IEA	**International Energy Agency.** Established in 1974, the IEA is a leading global authority on energy. Each year, it produces a 'World Energy Outlook' that includes forecasts for different sources, technologies and levels of demand.
ISSB	**International Sustainability Standards Board.** A standard-setting board that delivers a comprehensive global baseline of sustainability-related disclosure standards, providing investors and other capital-market participants with information about companies' sustainability-related risks and opportunities.
KPI	**Key Performance Indicator.** A metric by which performance against a target or goal can be measured.
KPMG International	**KPMG International Limited.**

Term	Definition
SBTi	**Science-Based Targets initiative.** The SBTi defines and promotes best practices in science-based target setting.
OIP	**KPMG: Our Impact Plan.** OIP represents the collective approach to managing the environmental, social and governance impacts of KPMG International and the independent KPMG firms affiliated with KPMG International.
RCP	**Representative Concentration Pathway.** RCPs are greenhouse gas emissions (GHG) trajectories adopted by the Intergovernmental Panel on Climate Change (IPCC). The pathways describe different climate futures, all of which are considered possible depending on the future volume of GHGs emitted.
RE100	**RE100** is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100-percent renewable electricity.
Scenario analysis	**Scenario analysis** is used by organizations to test their strategy against various climate futures. Analysis can focus on the physical impacts of climate change or the transition risks associated with decarbonizing the economy. KPMG has built a proprietary tool for scenario analysis called Climate IQ.
Scope 1	**Scope 1 emissions** are also called 'direct emissions' — these occur from sources owned or controlled by the company.
Scope 2	**Scope 2 emissions** are also called 'indirect emissions' and represent the generation of purchased energy.
Scope 3	**Scope 3 emissions** are considered a second type of 'indirect emissions' and are a result of operations that are not owned or controlled by the company.
SSP	**Shared Socioeconomic Pathway.** SSPs are a set of socio-economic models adopted by the Intergovernmental Panel on Climate Change (IPCC) and used to complement RCPs. Five were used in IPCC AR6 to show societal futures, ranging from a fast-transition to a low-carbon economy to one with continued high demand for fossil fuels.
TCFD	**Task Force on Climate-related Financial Disclosures.** The non-governmental body responsible for the generation and modification of the climate-related financial disclosure framework.
TNFD	**Task Force on Nature-related Financial Disclosures.** Currently in development, the TNFD will provide a TCFD equivalent for nature, structured around nature-related dependencies, impacts, risks and opportunities.
TPT	**Transition Plan Taskforce.** The taskforce launched by the UK's HM Treasury to develop a gold standard for climate-transition plans.
WWF	**World Wildlife Fund** for Nature is a Swiss-based international, non-governmental organization founded in 1961 that works in the field of wilderness preservation and the reduction of human impacts on the global environment.

Contacts

For more information on our ESG journey, please contact:

Jane Lawrie
Global Head of Corporate Affairs
KPMG International
E: jane.lawrie@kpmg.co.uk

Roisin Murphy
Head of Global Sustainability (Our Impact Plan)
KPMG International
E: roisin.murphy@kpmg.co.uk

To learn how KPMG can support you on your ESG journey, please contact:

John McCalla-Leacy
Head of Global ESG
KPMG International
E: john.mccalla-leacy@kpmg.co.uk

kpmg.com

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