



Towards net zero

Australian supplement

How the top Australian companies report on climate risk and decarbonisation

Climate Risk Reporting in the ASX100 Supplement

KPMG Australia

—

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





Purpose of this report

This supplement outlines the key trends in climate risk reporting and decarbonisation within the ASX100. It is intended to show an Australian context to KPMG's global Toward Net Zero report, and a climate risk supplement to KPMG's global Sustainability Reporting Survey which will be released in late November 2020.

01

ASX100 companies are the largest companies by market capitalisation as defined by the Australian Securities Exchange.

02

The G250 are the world's 250 largest companies as defined by the Fortune 500 ranking.

03

The N100 is the worldwide sample of 5,200 companies across 52 countries. These N100 statistics provide a broad-based snapshot of sustainability reporting across the world.





Australia's top companies significantly improve their climate reporting since 2017

A review of the sustainability reporting contained in annual, integrated and sustainability reports demonstrates that climate risk reporting by Australian companies has improved significantly over the last three years. The ASX100 are more likely to report climate-related risks, and more likely to report using the TCFD recommendations than the G250. However, Australia is falling behind the G250 in reporting on the transition to net zero.

ASX100 Scorecard

	ASX100	Score	Leading sectors (>70% of sector)	Lagging sectors (≤50% of sector)
 Governance of climate-related risks	78% clearly acknowledge climate change as a financial risk. Up from 52% in 2017.	A	Mining, Financial Services, Construction and Materials	Travel and Leisure, Software and Computer Services, Health Care
	58% report using the TCFD framework. Up from 16% in 2017.	B	Real Estate Investment, Banks, Non-life Insurance	Financial Services, Travel and Leisure, Software
 Identification of climate-related risks	32% include climate risk in their annual report/integrated report or stand-alone climate report. Up from 4% in 2017.	C	Banks, Nonlife insurance, Oil and Gas Producers	Travel and leisure. Financial services and Mining
 Impacts of climate-related risks	20% use scenario analysis to quantify risks. No companies used scenario analysis in 2017.	D	Banks	Mining, Financial Services, Travel and Leisure
 Reporting on net zero transition	67% have set carbon targets. Up from 47% in 2017.	B	Construction and Materials, Real Estate Investment and Banks	Health Care, Software, Equity Investments
	17% have science-based targets.	D	Banks	Mining, Financial Services, Travel and Leisure

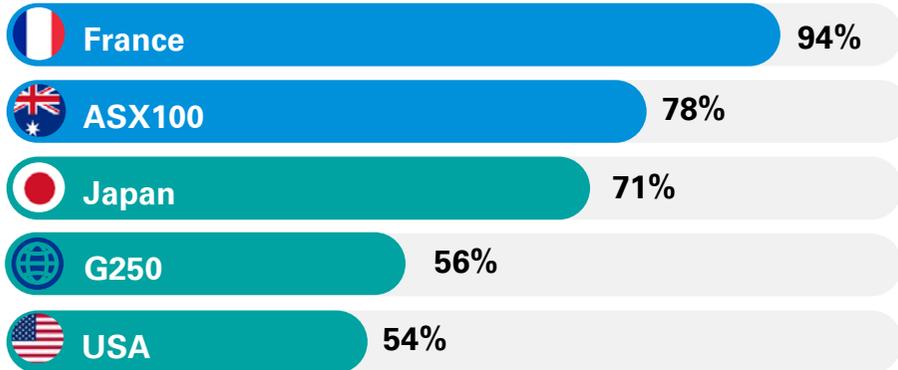
A More than 70% of reporting companies
 B 50-70%
 C 30-50%
 D Less than 30%



Governance of climate-related risks



Of the ASX100 companies clearly acknowledge climate change is a risk to the business in the annual financial or integrated report.



What the data tells us

A Australian companies place second across the globe in acknowledging climate change as a risk, and are ahead of the G250. Whilst only 56 percent of the G250 acknowledge climate change as a financial risk to their business, 78 percent of ASX100 companies acknowledge climate change as a financial risk. This is up from 52 percent in 2017.

The ASX100 are more likely to report against the Task Force for Climate-related Financial Disclosures (TCFD) framework than the G250, with 58 percent of ASX100 companies using the framework, and only 37 percent of the G250 reporting using TCFD.

B

Key Sectors



Mining
(13 of 13)

100%



Financial Services
(9 of 10)

90%



Construction and Materials
(7 of 7)

100%

A More than 70% of reporting companies **B** 50-70% **C** 30-50% **D** Less than 30%

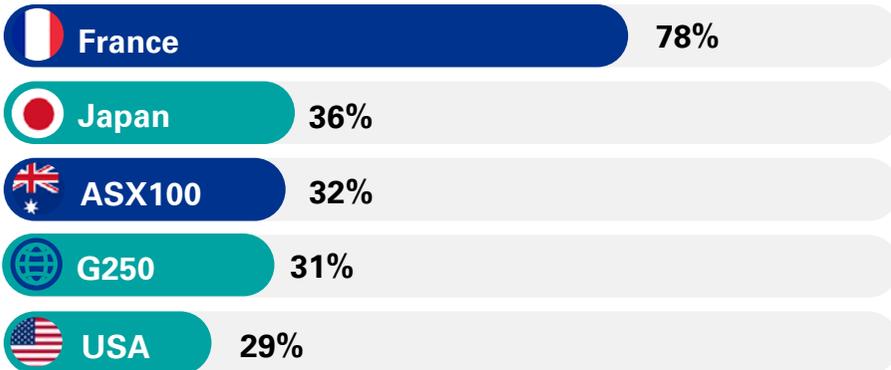
Note: base is all companies who reported sustainability information (n 98)



Identifying climate-related risks



Of the ASX100 companies include TCFD or climate risk disclosures in the company's annual financial or integrated report and/or publish a stand-alone climate risk or TCFD report.

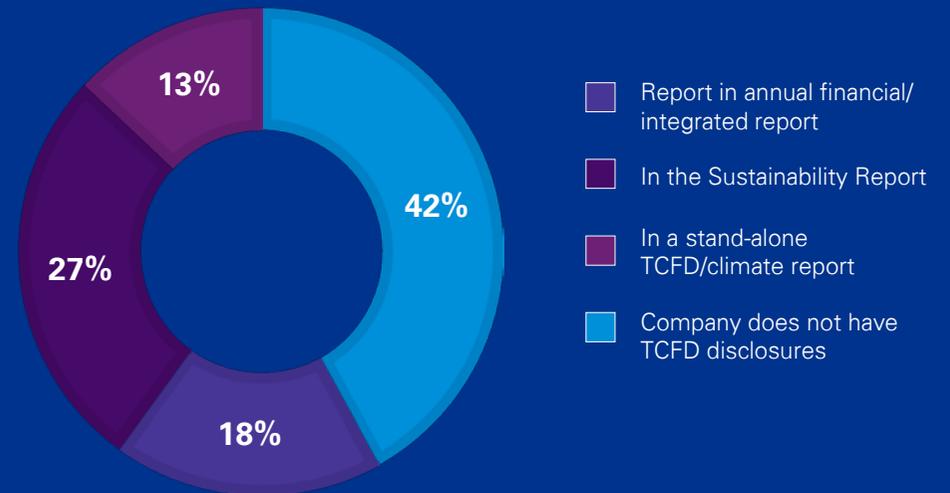


What the data tells us

C Designating a clear section of the annual/integrated report or TCFD report demonstrates that the company is attempting to disclose and manage climate risks and opportunities.

Only 32 percent of the ASX100 are following this best practice, up from 4 percent in 2017. One of Australia's largest industries, mining, performs poorly in this criteria, with only 31 percent of companies disclosing in the annual/integrated report or in a TCFD report.

Where TCFD disclosures are published



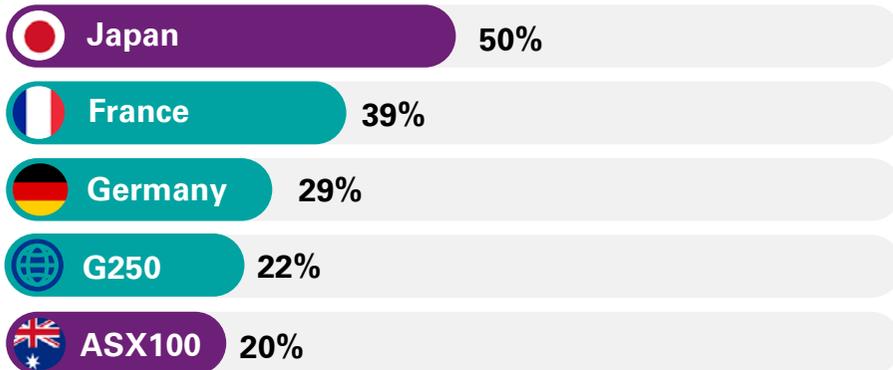
Note: base is all companies who reported sustainability information (n 98)



Impacts of climate-related risks



Of the ASX100 companies include scenario analysis of climate-related risks in their reporting.



What the data tells us

D Scenario analysis helps companies understand how they might evolve and adapt to different climate, economic or regulatory conditions.

While the TCFD recommends scenario analysis, it is still relatively immature. 20 percent of ASX100 companies use scenario analysis to model the impacts of climate change on their business. Banking, electricity, and construction sectors are among the most likely sectors to use scenario analysis in their reporting of climate risk.

Key Sectors



Banking
(3 of 4)

75%



Construction and Materials
(3 of 7)

43%



Electricity
(2 of 3)

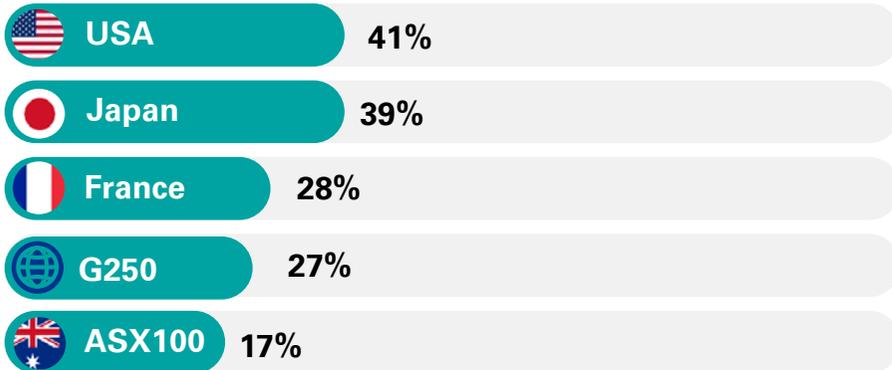
67%



Note: base is all companies who reported sustainability information (n 98)



Reporting on net zero transition



What the data tells us

- B** The ASX100 fall behind the G250 in setting carbon targets and science-based targets. 76 percent of the G250 have set carbon targets, compared to 67 percent of ASX100 companies (up from 47 percent in 2017).
- D** While only 17 percent of ASX100 companies state they are reporting in line with science-based targets. A further 6 percent state that they intend to report in line with science-based targets in the future. This places Australia at the tail-end of leading G250 countries.

Key Sectors



Banking
(4 of 4)

100%



Construction and Materials
(3 of 7)

43%



Mining
(1 of 13)

8%

A More than 70% of reporting companies **B** 50-70% **C** 30-50% **D** Less than 30%

Note: base is all companies who reported sustainability information (n 98)



Contacts

Adrian King

Partner in Charge, Climate Change and Sustainability Australia

T: +61 3 9288 5738

E: avking@kpmg.com.au

Mark Spicer

Director, Climate Change and Sustainability Australia

T: +61 2 9335 8020

E: markspicer@kpmg.com.au

Duncan Stevens

Director, Climate Change and Sustainability Australia

T: +61 3 9288 6260

E: dstevens1@kpmg.com.au

Alistair Coulstock

Director, Climate Change and Sustainability Australia

T: +61 2 9273 5153

E: acoulstock@kpmg.com.au

Julie Vasadi

Associate Director, Climate Change and Sustainability Australia

T: +61 2 9335 7353

E: jvasadi@kpmg.com.au

Nicholas Moffatt

Director, Climate Change and Sustainability Australia

T: +61 8 9263 4833

E: nmoffatt@kpmg.com.au

Cameron Reid

Associate Director, Climate Change and Sustainability Australia

T: +61 3 9288 5107

E: creid8@kpmg.com.au

Julia Bilyanska

Director, Climate Change and Sustainability Australia

T: +61 3 9838 4036

E: jbilyanska@kpmg.com.au

KPMG.com.au



©2020 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

Liability limited by a scheme approved under Professional Standards Legislation.

November 2020 589567885AARC