



Climate risk and resilience

Weathering unprecedented challenges—realizing even bigger opportunities



Climate change is reshaping industries. Real estate is threatened by extreme weather. Financial firms face rising loan risks. Energy companies must adapt to a low carbon economy. But challenges like these present opportunities—if companies position themselves to adapt and lead. KPMG LLP provides a range of services to help companies understand their unique climate risks, harden their organization against risks, and implement a strategy to realize opportunities.

Climate change is disrupting business as usual

Risks:

If global temperatures rise above 3°C by 2050, **global GDP could decrease by over 18%**.¹ Physical and transition risks include:

- Extreme weather and chronic change
- Increased regulation and expanded carbon markets
- Shifting consumer preferences
- New reporting requirements
- Talent and reputational risks
- Technological disruption

¹ Swiss Re Institute, 2021

Opportunities:

Global **sustainable investments** total at least **US \$35 trillion**—up 15% since 2018.²

- Access to new markets and assets
- Use of alternative energy sources
- Improve resource efficiency
- Develop new products and services

² Reuters; 2020 AUM in retail, wholesale, and institutional investments

The proposed SEC climate rule is modeled after the Taskforce for Climate-related Financial Disclosures (TCFD) which provides a framework for assessing risks and opportunities



KPMG offers an integrated process to help you better understand your company's climaterisks and opportunities and drive recommendations—in alignment with TCFD


Climate Risk Journey				
Upstream activities	Climate risk assessment, impact analysis, and resiliency strategy			Downstream activities
<ul style="list-style-type: none"> Materiality assessment Maturity assessment SEC diagnostic ESG strategy 	1 Evaluate TCFD alignment Assess current state disclosures in relation to the TCFD reporting requirements.	2 Assess climate risks Assess risk exposure and identify areas of opportunities related to climate change.	3 Develop climate action plan Develop an action plan to address climate risks and opportunities and refine TCFD reporting.	<ul style="list-style-type: none"> Operationalize climate plan GHG inventory Decarbonization strategy Resiliency strategy Transition plan

Our integrated process helps assess your current climate readiness and implement a comprehensive strategy to enhance resilience in everything you do

1 Evaluate TCFD alignment

How do your current disclosures align to TCFD recommendations?

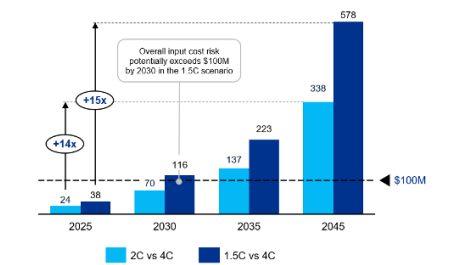
Deliverables: We provide a detailed assessment of your current resilience and gaps, through workshops, interviews, process reviews, and analytics.



2 Assess climate risks

What risks and opportunities are ahead and what is their potential financial impact?


Deliverables: We assess potential climate scenarios—based on physical and transition risk events, such as extreme weather, carbon pricing, etc.—to identify/quantify exposure to material risks.



3 Develop climate action plan

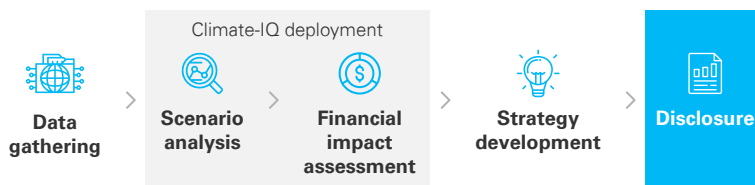
How can you address the identified climate risks and opportunities?

Deliverables: We provide key actions needed to mitigate risks and capitalize on opportunities, including a timeline of priority action items and estimated effort needed for an effective, balanced plan to achieve targets.



Our climate risk assessment process utilizes KPMG Climate IQ, a proprietary solution to quantify the financial impact of a variety of climate risks:

- KPMG Climate IQ is a multi-industry risk management solution that can run multiple climate scenarios to address the questions regarding a business's exposure to climate change.
- In doing so, KPMG can help formulate strategic decisions in line with the business need for climate resiliency and potential regulatory requirements.
- KPMG Climate IQ can assess exposure to physical risks of climate hazards as well as the economic impacts of the transition to a low-carbon future.
- This analysis enables businesses to identify, quantify, and manage their physical and transition risks and opportunities, generate insights to help understand the impacts on their business operations, support more effective board-level strategic decisions, and drive climate-resilient growth.



Why KPMG?



KPMG has extensive experience in the ESG and climate space

KPMG has unparalleled experience assisting major corporates, governments and utilities in their decarbonization ambitions, working with them from strategy inception to execution and integration.



We bring an integrated, cross-functional team to all of our engagements

To deliver what you require at the Board level, KPMG brings together our top specialists from our climate advisory, strategy and reporting teams, along with our decarbonization and resilience subject matter professionals.



KPMG uses a proprietary integrated assessment model - recognized by the WBCSD.

KPMG has created a proprietary risk assessment tool which has been utilized by leading industry bodies such as the World Business Council for Sustainable Development (WBCSD) for assessing climate risk.



We possess the skills and experience necessary for effective TCFD reporting

We bring extensive depth and breadth of subject matter experience in climate change scenario analysis, risk assessment and (TCFD) reporting.

We have demonstrated success

Case Study: Global Luxury Retailer



Challenge: Due to emerging regulatory and reporting requirements the client sought to quantify their potential impact of their physical risk and transition risks and opportunities, as well as inform their future business strategy.



What KPMG did: KPMG gathered location and asset value data for key facilities and quantified the potential property damage and business interruption due to a variety of physical hazards, as well as the potential financial impact of key transition risks. We calculated each risk factor under scenarios for 2025, 2030, 2035, and 2040 based on Intergovernmental Panel on Climate Change (IPCC) projections.



Benefit: The industry, region and company specific analysis provided Board level insights and was used to inform future strategy for risk mitigation and opportunity growth. This analysis also strengthened the company's ESG reporting and resulted in improvement to their Carbon Disclosure Project (CDP) score.

We drive better decisions with analytics through the KPMG Intelligence Platform

People

The right data & analytics experience

Our team of industry-aligned specialists include PhD mathematicians, data scientists, M&A professionals, and more

Data

Proprietary and external data

Gathered from thousands of transactions, our data provides unique benchmarks

Tech

Proprietary tools

Example:

KPMG Climate IQ: Quantifying financial impacts of physical and transition risks and opportunities.



We "walk the walk" on ESG

KPMG's Impact Plan is a roadmap to become net-zero by 2030, along with increasing inclusion and diversity, and driving sustainable growth for stakeholders. Some commitments are:



Achieve a further 50% cut in carbon emission



Use 100% renewable energy across all sites



Reduce business travel by 50% (relative to 2019)

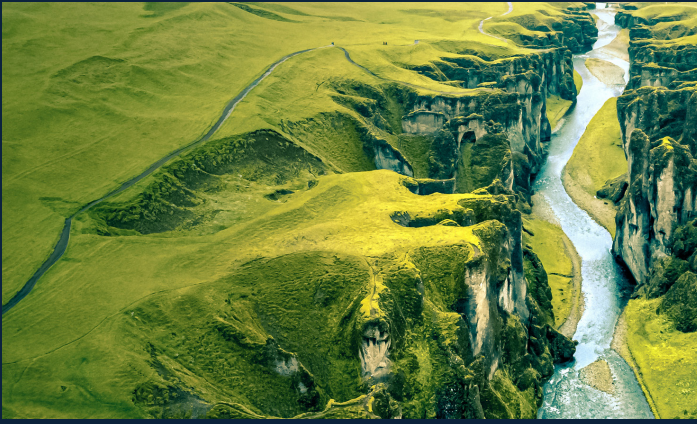
Among other sustainability efforts, KPMG is investing \$1.5 billion over the next three years to accelerate our ESG progress.

Industry collaboration. To advance ESG goals, we support the work of leading organizations including:

TCFD: Special advisor supporting development of ESG disclosure guidelines

GRI: Helped develop ESG reporting recommendations

WEF: Advised the development of common ESG metrics and scorecards



KPMG ESG can help your business create a more sustainable future while driving measurable growth today. Find out more about how our insights, capabilities and solutions can simplify your ESG journey. **Sign up for ESG Alerts at <https://www.kpmg.us/services/kpmg-esg.html>**

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