



CLIMATE RISK

REPORT 2026

KPMG Australia

1 July 2025 – 30 June 2026

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

KPMG Australia's reporting suite

KPMG Australia's 2026 Climate Risk Report builds on our inaugural 2024 report and our 2025 refresh by continuing to mature our approach to identifying climate-related risks and opportunities, operationalising controls, and preparing for future reporting under AASB S2.

Acknowledgement of Country

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

<http://kpmg.com/au/rap>

KPMG Australia's reporting suite



[Our Impact Plan 2026](#)



[Climate Action Plan 2023-2030](#)

Thought leadership



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

We continue to report on our sustainability impacts and climate action in accordance with the Global Reporting Initiative (GRI) through KPMG Australia's Our Impact Plan and through this Climate Risk Report. We also continue to support clients with the transition to the Australian Sustainability Reporting Standards (AASB S2 Climate-related Disclosures), while strengthening our own reporting approach as we prepare for future alignment with the same requirements.

Clients and stakeholders increasingly expect robust, transparent reporting on climate risks and opportunities, including how organisations are responding to the transition to a net zero economy. Our thought leadership helps clients and stakeholders understand evolving sustainability expectations and consider practical responses to emerging risks and opportunities.

This 2026 report reflects our continued commitment to transparently sharing our progress and actions.

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Message from our CEO and Independent Chairman

We are pleased to introduce KPMG Australia's Climate Risk Report 2026.

Climate change continues to present a complex and evolving set of risks and opportunities for businesses, communities and the broader economy. Expectations for climate-related disclosure are also continuing to develop, with clients, regulators, our people and other stakeholders seeking clearer information on how organisations understand, govern and manage climate-related matters.

This report reflects the next step in KPMG Australia's climate reporting journey. It builds on our previous disclosures and remains informed by the Task Force on Climate-related Financial Disclosures (TCFD) Framework, while supporting our ongoing preparation for future alignment with AASB S2.

The report is informed by our annual enterprise-wide climate risk and opportunity assessment across KPMG Australia, KPMG Fiji and KPMG PNG, with input from teams across these firms. Through this process, we review our climate-related risks and opportunities, consider relevant controls and mitigation measures, and identify areas requiring ongoing attention as climate-related impacts and reporting expectations evolve.

We remain committed to strengthening our approach through ongoing assessment, learning and continuous improvement. This report reflects our progress to date, as well as the further work required as we continue to mature our approach.



John Sams
CEO
KPMG Australia
(appointed 21 July 2026)



Michael Ebeid AM
Independent Chairman
KPMG Australia
(appointed 12 August 2026)

Introduction



Context



Impacts are expected to intensify with every fraction of additional warming.

IPCC AR6 Synthesis Report¹

Climate-related risks continue to intensify, reinforcing the need for informed, timely and practical action. The physical impacts of a warming climate are increasingly visible through heat, extreme weather, sea level rise, ocean warming and ecosystem stress.

At the same time, the transition to a lower-carbon economy is reshaping policy, markets, technology, capital allocation and stakeholder expectations. For KPMG Australia, these dynamics can affect operations directly and indirectly through clients, supply chains, infrastructure, labour markets, insurance, regulation, the broader economy, and communities.

Recent global climate data shows that the pace and persistence of warming remain a critical concern. The World Meteorological Organization confirmed that 2015–2025 were the hottest 11 years on record, with 2025 ranked as the second or third warmest year on record at about 1.43°C above the 1850–1900 average. It also reported that the Earth’s energy imbalance is the highest in the 65-year record, and that the ocean has been absorbing about 18 times the annual human energy use each year over the past two decades accumulating pressure on natural, social and economic systems.²

In Australia, the national evidence base has also strengthened. Australia’s first National Climate Risk Assessment, released in 2025, provides a nationally consistent assessment of how climate change may affect the systems that underpin the country’s economy, communities, infrastructure, health, environment and essential services. The assessment identifies 63 nationally significant climate risks, including 11 priority risks selected for detailed analysis, and considers risks across key systems including economy, trade and finance; infrastructure and the built environment; health and social support; communities; natural environment; and primary industries and food.³

Several findings are particularly relevant for organisational risk management. The assessment notes that climate impacts may contribute to property damage, increased insurance costs, disruption to supply chains, pressure on household budgets and broader cost-of-living impacts. It also identifies that climate risk to Australia’s economy, trade and finance system is projected to increase by 2050, with impacts potentially spreading across supply chains, insurance, financial markets, households and businesses. These insights reinforce the need for climate risk assessments to consider interdependencies across systems, rather than assessing hazards or business functions in isolation.³

Globally, climate risk is also increasingly understood as a systemic risk. The World Economic Forum’s Global Risks Report 2026 identifies environmental risks as dominant across the long-term risk horizon to 2036, including extreme weather events, biodiversity loss and ecosystem collapse, and critical changes to Earth systems. The report’s framing is important because it places climate-related risk alongside geopolitical, technological, societal and economic pressures, rather than treating it as a standalone environmental issue.⁴

For KPMG Australia, this context reinforces the importance of maintaining a forward-looking and evidence-based approach to climate-related risk identification, scenario analysis, governance and disclosure. Climate risk assessments need to be regularly reviewed as scientific understanding, data availability, regulatory expectations and market conditions evolve. This includes considering both physical and transition risks, the potential for compounding impacts, and the role of credible data and controls in supporting transparent reporting.

While the scale of the challenge is significant, the window for effective action remains important. Organisations that embed climate considerations into strategy, governance, risk management and decision-making will be better placed to build resilience, respond to stakeholder expectations, and support an orderly transition.

For KPMG Australia, this means continuing to strengthen our own climate risk management and disclosures, while supporting clients and the broader market to navigate a more complex and rapidly changing risk environment.

¹ Intergovernmental Panel on Climate Change (2023), [AR6 Synthesis Report: Climate Change 2023](#)

² WMO (2026), [State of the Global Climate 2025](#)

³ Australian Climate Service (2025), [National Climate Risk Assessment](#)

⁴ World Economic Forum (2026), [The Global Risks Report 2026](#)

Our journey

In September 2025, the KPMG Global Board endorsed a science-based net zero target.

KPMG Australia believes in a fair and just transition to net zero. As a large provider of sustainability services, we have a responsibility to lead by example by looking at the impact of our own operations and supply chain and to play a part in global decarbonisation efforts and Australia's transition to net zero.

Our climate action journey

Since the release of our first Climate Action Plan in 2017, KPMG Australia has been committed to supporting global decarbonisation efforts. In 2023, we released our second [Climate Action Plan 2023-2030](#) setting out the targets, actions, and initiatives guiding our approach across our operations, supply chain, clients and community.

In line with KPMG International's near-term science-based target, KPMG Australia remains committed to reducing our Scope 1, 2 and 3 greenhouse gas emissions by 50% by 2030, from a 2019 baseline.

KPMG International has continued to evolve its long-term global climate commitment which extends to KPMG Australia. In September 2025, KPMG International published its first [Summary Climate Transition Plan](#), following Global Board endorsement of a science-based net zero target to reduce absolute Scope 1, 2 and 3 emissions by 90% by 2050, from a 2019 baseline, and neutralise residual emissions through responsible mitigation measures.

This long-term ambition complements KPMG International's 2030 decarbonisation target and provides an important reference point for member firms, including KPMG Australia.

During the year, we continued to improve the quality and completeness of our emissions data.

As the climate risks and opportunities associated with digital technologies and AI continue to evolve, we reviewed our technology-related emissions and expanded our emissions boundary to include third-party data centres and other material technology sources. As a result, we restated our CY19 baseline to provide a more complete and comparable basis for measuring progress over time.

This change reflects our evolving understanding of the climate-related risks and opportunities associated with digital infrastructure and AI. As adoption increases, these technologies have the potential to increase energy consumption, resource demand and associated costs, while also creating opportunities to improve operational efficiency, emissions measurement and reporting, and the development of solutions that help clients respond to climate-related challenges and opportunities.

Against this restated CY19 baseline, KPMG Australia achieved a 41% reduction in reported Scope 1, 2 and 3 emissions for CY25. Our emissions data was subject to independent limited assurance in accordance with ASSA 5000 – Sustainability Assurance Engagements.

We continued to source 100% renewable electricity for our tenancies across Australia, Fiji and PNG, maintained our Climate Active carbon neutral certification, and applied our Internal Price on Carbon to business air travel.

Our reporting journey

Publishing climate disclosures remains central to how we track progress, strengthen governance and disclose climate-related risks and opportunities. For the third year, we are voluntarily publishing our Climate Risk Report in alignment with TCFD. This year's report updates our climate-related risks, controls and progress.

As Australia transitions to mandatory climate reporting under AASB S2, we are reviewing our reporting practices, data, controls and governance to support future alignment. Our approach remains grounded in the TCFD pillars of Governance, Strategy, Risk Management, and Metrics and Targets.

Our reporting journey is also shaped by our role in the market. We continue to support globally consistent sustainability disclosure standards and the role of assurance in providing investment-grade climate information.

One of the greatest opportunities for climate impact remains through the work we do with clients. As mandatory reporting takes effect, we are helping organisations develop robust, decision-useful and assurance-ready disclosures, alongside credible transition plans and responses to climate-related risks and opportunities.

More information on our climate action progress and client work can be found in [KPMG Australia's Our Impact Plan 2026](#).

Governance

Governance of climate-related risks and opportunities

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

KPMG Australia is part of a global organisation of independent professional services firms affiliated with KPMG International, with more than 276,000 partners and employees in member firms spanning over 138 countries and territories around the world. KPMG Australia’s governance arrangements are set in part by our membership of KPMG International and the associated rights, responsibilities and obligations of our network agreement. Detailed information on KPMG International’s structure, leadership and governance can be found here: [Governance – KPMG Global and in the Governance section of KPMG International’s Climate Risk Report](#).

Refer to the figure below and following pages for KPMG Australia’s Climate Action governance structure.



Figure 1: KPMG Australia Governance Structure for Climate Action



Board governance

National Board

The National Governance Board (NGB) is the principal governing body for KPMG Australia.

The Board is responsible for oversight and monitoring of the firm's management to drive growth and the long-term prosperity of the firm while engendering trust from the firm's partners, people, clients, and the wider community.

The Board approves and oversees execution of the firm's strategy and ensures there are rigorous processes in place for identifying and managing risk and reputational matters, including the firm's impacts on people, planet, and prosperity.

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

KPMG South ASPAC Group

On 1 October 2025, KPMG in Australia joined KPMG Singapore, KPMG New Zealand and KPMG Philippines to form the KPMG South ASPAC Group within the KPMG Global network (South ASPAC Group).

The objective of the Group is to support these KPMG member firms to collaborate more closely together across their territories to better serve clients, create opportunities for their people and accelerate growth. KPMG Australia continues to be a partnership formed in Australia.

To implement the South ASPAC Group arrangements, a new limited liability partnership entity was established in Singapore – KPMG South ASPAC Group Holdings LLP. The South ASPAC Group is governed by the South ASPAC Group Board comprising representatives from each Group member firm and independent directors. This Group Governance framework supports and supplements governance of KPMG Australia.

KPMG Australia remains a separate entity and responsibility for the preparation of this Climate Risk Report rests with KPMG Australia.

National Executive Committee

The National Governance Board is supported by the National Executive Committee (NEC) and management structures that assist in overseeing risk, quality, regulatory matters and the firm's broader commitments. Climate-related matters are considered through these channels where relevant, including in relation to climate risk reporting, emissions performance, regulatory developments and external reporting.

During the year, the NEC continued to receive updates on emissions performance, including progress against our decarbonisation objectives and key emissions drivers such as air travel and technology.

We expect our governance approach to continue evolving as expectations for climate-related disclosure, assurance and accountability develop.

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



Management of climate-related risks and opportunities

The Corporate Affairs team is responsible for developing our annual Climate Risk Report and maintaining oversight of the Climate Change Risk Register with support from subject matter experts from KPMG Australia's Climate Change & Sustainability team and input from our Climate Action Taskforce.

The Climate Action Taskforce is made up of senior representatives from throughout the firm (e.g. operations, procurement, technology, risk management, clients and markets, etc.) that support KPMG Australia's climate risk reporting by helping identify, validate and manage material climate risks and opportunities and strengthen controls.

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

This year again, the firm's principal management body, the NEC, reviewed and approved our updated climate change risk assessment along with associated controls and opportunities.

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

The Chief Financial Officer will continue to have an expanded role in overseeing the financial quantification of our climate risks and opportunities including the integration of climate-related financial disclosure requirements into existing financial reporting.

The Chief Risk Officer maintains the overall Enterprise Risk Management process and the ongoing cadence of firm-wide risk management. The Chief Risk Officer is also a member of the firm's Climate Action Taskforce.

Risk governance

KPMG Australia has a centralised risk function, and Partners with risk responsibilities report to the Chief Risk Officer, who is part of the NEC.

Every year, the NEC works to identify and assess the key risks which may impact the achievement of the firm's strategic objectives. This includes business resilience and reputational risks, which are reviewed as part of our Enterprise Risk Management (ERM) framework.

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

KPMG's Commercial Conflicts Resolution Committee (CCRC) is responsible for overseeing and making decisions relating to commercial conflicts (including proposed engagements, communications and thought leadership, and external appointments) which may detrimentally impact our relationship with one or more clients. Through our client and engagement processes and systems, particular industries and activities are flagged as high risk, warranting broader reviews.

For energy transition engagements, which tend to be carbon intensive clients, a review process is triggered to assess if the potential engagement is within the principles we have set. Refer to the [Metrics and targets](#) section for further details.

Governance for advisory and assurance climate-related engagements

KPMG Australia helps clients navigate the evolving sustainability landscape through advice and assurance across climate disclosure, greenhouse gas emissions, climate strategy and decarbonisation.

Our teams are actively supporting organisations with mandatory reporting requirements under AASB S2, and other voluntary reporting frameworks including CSRD and GRI as examples.

Our advisory and assurance engagements are reviewed and approved by accredited Partners in accordance with policies and through appropriate channels. We continue to invest in capability development and climate disclosure literacy to stay ahead of the rapidly maturing sustainability reporting landscape.



Strategy



Climate-related risks

KPMG Australia understands climate risk as the potential for climate change to create adverse impacts on people, ecosystems and the economic systems, resulting in risks to financial stability and organisational resilience.

This includes negative impacts on lives, livelihoods, health and wellbeing, economic activity, social and cultural assets, as well as investments, infrastructure, services provision, ecosystems and species.

As part of our ongoing Climate Action Plan commitment to support our firm’s, our clients’ and Australia’s transition to net zero, KPMG Australia will continue to evolve its understanding of our climate risks and opportunities profile across our value chain. Our 2026 review and refresh of our risk register did not materially change the overall profile of KPMG Australia’s identified climate-related risks and opportunities.

During the year, we focused on reviewing existing controls, confirming responsible business areas and progressing readiness for future mandatory climate reporting.

Minor updates have been made to reflect changes in climate reporting expectations, technology-related emissions, and resilience considerations and controls.

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

Physical risks

These arise from the direct effects of climate change on the environment and infrastructure. There are two categories of physical risks.

- Acute: More frequent or severe event-driven disruptions from extreme weather events such as floods, wildfires and hurricanes – these can cause immediate damage to assets, disrupt operations and lead to financial losses.
- Chronic: Long-term shifts in climate patterns such as rising temperatures, rising sea levels and changing precipitation patterns – these may gradually affect asset values, supply chains and operational viability.

Transition risks

These stem from the shift to a net zero economy and include the following.

- Policy and legal: Changes in regulations (e.g. carbon pricing, emissions caps), litigation and compliance costs.
- Technology: Disruption from new green technologies, R&D costs and accelerated obsolescence.
- Market: Shifts in consumer preferences, commodity prices and demand patterns.
- Reputational: Stakeholder perceptions and brand impact in response to a company’s climate action.

Opportunities

Exposure to the positive financial and strategic outcomes that may arise from the transition to a net zero and climate-resilient economy, including increased demand for climate-related services, new technologies, adaptation solutions and changing client needs.

Understanding where these opportunities may emerge, and how KPMG Australia can support clients to respond, is important to our long-term strategy.

Our climate-related risks and opportunities

Supporting our firm’s, our clients’ and Australia’s transition to net zero.

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

Assessing risks

KPMG Australia’s climate risk assessment methodology draws on the KPMG Global ERM process for impact and likelihood assessment. To reflect the longer-term nature of climate-related risks and opportunities, additional climate-specific time horizons are applied. The results of our climate risk assessment are set out in the following sections. Details of our risk and opportunity identification processes and our assessment of materiality of identified risks are described in the Risk management section.

For further information on identifying base case and scenario risks and opportunities, please see page 25 onwards.

Risk impact

We categorise risks as:



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

Risk likelihood

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

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

Risk time horizon

Risks are classified as short, medium, or long-term based on the time horizon of their potential impact, selected for alignment between risk management, strategy, and business planning processes. At this point in time, we have assessed these time frames to be appropriate for the nature of our business and will continue to assess and update them when necessary.

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

Climate-related risks

TRANSITION RISK	Contraction or failure of specific industry sectors with high exposure to transition risk
IMPACT DESCRIPTION (BAU)	<p>Market/financial risk:</p> <p>KPMG Australia’s portfolio of clients includes sectors which have a greater exposure to transition risk and greater impacts in case of failure to transition. The potential impacts on KPMG Australia of businesses failing to transition include:</p> <ul style="list-style-type: none">Revenue loss due to reduced demand as clients’ businesses contract or fail.Revenue loss due to reduced demand from clients incurring increased costs amid failure to decarbonise.Failure of KPMG Australia to adapt services and products to client needs as they transition to a net zero economy, including supporting them with decarbonisation and climate transition.
1.5°C WARMING SCENARIO	Under a 1.5°C warming scenario, ⁵ we anticipate the risk impact and likelihood to remain similar to base case. The carbon price will incentivise organisations to decarbonise, and the policy regime will speed up the attention and resources directed to achieve net zero. Physical impacts of climate change will be less, so productivity impacts and economic disruption would decrease.
TIME HORIZON	Long
IMPACT	Moderate–Major
CURRENT CONTROLS	<p><i>Portfolio business model</i></p> <ul style="list-style-type: none">KPMG Australia has a portfolio-based business model and we are diversified by sector and geography, which helps mitigate the potential impact of a single sector contracting. It also means we are positioned to respond to changes across the portfolio. We regularly re-evaluate industries, sectors, and the regulatory landscape.Our core client product and service offerings have a range of sustainability and climate-related products and services that are designed to support clients on their decarbonisation journey.We have implemented an assessment of potential new opportunities if they are associated with the energy transition. <p><i>Internal training</i></p> <ul style="list-style-type: none">We will continue to upskill our people with training on sustainability, climate risk and transition services, which in CY25 included 140 individual learning modules with a total of 4,864 completions by over 1,400 of our people in our Degreed training platform. We offer ESG courses with New York University (NYU) Stern School of Business and Cambridge University to further advance our people’s knowledge to respond to evolving client needs. A large focus of firm-wide training over the past year is on responsible use of AI which included a Trusted AI training that highlights sustainability as a key area of KPMG’s Trusted AI framework. KPMG Fiji and KPMG PNG service nine other Pacific Island nations and can leverage people and specialist resources within our Australian business where needed to support local sustainability services delivery. <p><i>Client environmental monitoring</i></p> <ul style="list-style-type: none">For the last three years we have developed an innovative way of measuring the emissions within our client portfolio. This analysis has shown that the majority (over 50%) of these emissions relate to less than 5% of our total client work, and most of this relates to clients in the energy sector. As a result, through an extensive internal process we have developed a set of principles to ensure that our work in the energy sector aligns with our core values and our purpose. Client work is now assessed as part of our engagement acceptance processes against these principles. <p><i>KPMG Fiji and KPMG PNG</i></p> <ul style="list-style-type: none">KPMG Fiji and KPMG PNG service nine other Pacific Island nations and can leverage people and specialist resources within our Australian business where needed to support local sustainability services delivery. <p><i>Embracing AI</i></p> <ul style="list-style-type: none">KPMG Australia’s adoption of trusted AI and emerging technology supports workforce capability, productivity and the development of new client solutions, helping the firm respond to evolving client needs across sectors exposed to transition risk.

⁵ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 25 of this report for further detail.

Climate-related risks (continued)

TRANSITION RISK	Failure to decarbonise our operations, supply chain and property portfolio in the most economically viable way
IMPACT DESCRIPTION (BAU)	<p>Market/financial risk:</p> <p>There are direct financial impacts of failing to decarbonise our own operations and our supply chain in the most economically viable way:</p> <ul style="list-style-type: none">Increasing costs of carbon offsets.Increased KPMG Australia costs due to potentially sourcing new renewable energy contracts, and increased cost of carbon in our supply chain.Increased supplier costs amid more stringent climate requirements.Increasing cost of AI use. As AI adoption expands, the full economic cost of AI may become more apparent. Rising demand, increasing token consumption, and evolving pricing models could lead to higher operating costs over time, and increased reported emissions where emissions are calculated using expenditure-based methodologies.
1.5°C WARMING SCENARIO	Under a 1.5°C warming scenario, ⁶ we anticipate the risk likelihood and impact severity to increase from BAU. High-quality carbon credit prices are anticipated to increase and therefore, measures to offset and address our ongoing emissions responsibility may lead to increased cost associated with our climate action goals.
TIME HORIZON	Medium-Long
IMPACT	Moderate
CURRENT CONTROLS	<p><i>Stakeholder engagement and climate leadership</i></p> <ul style="list-style-type: none">We continue to engage with stakeholders, including clients, governments, our people, the not-for-profit sector, regulators and industry bodies and the general public, to understand evolving expectations around climate change issues. <p><i>Climate action</i></p> <ul style="list-style-type: none">We report carbon emissions progress quarterly to leadership (NEC), including business air travel.For our CY25 emissions reporting with Climate Active, we formally included technology and AI-related emissions for the first time (includes hardware, software, digital storage, internet access, third-party data centres and telecommunications). The rise of AI and data centres has our people and stakeholders more conscious of environmental impacts; this allows us to better measure and manage related emissions.KPMG Australia has implemented an internal price on carbon (IPC) to make air travel costs more visible and accountable. Our travel policy encourages alternatives to flying where appropriate.We offset our Ongoing Residual Emissions (OER) on an annual basis with high-integrity carbon credits that prioritise nature-based solutions within our regions of operations.We track supplier engagement with Science Based Targets initiative (SBTi) or equivalent net zero climate targets. <p><i>Property portfolio</i></p> <ul style="list-style-type: none">Lease office space within PCA A-Grade buildings where market conditions allow, ensuring minimum Green Star certification and NABERS Energy performance standards are met.We continue to source 100% renewable energy for all KPMG tenancies and third-party data centres. <p><i>Supply chain</i></p> <ul style="list-style-type: none">Through our Sustainable Procurement Framework, we work with suppliers to identify and implement environmental improvements and promote knowledge sharing. This includes environmental expectations for all new suppliers embedded in our Supplier Code of Conduct, Supplier Due Diligence Questionnaire and Procurement Policy.

⁶ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 25 of this report for further detail.

Climate-related risks (continued)

TRANSITION RISK	Actual or perceived failure to demonstrate the expected commitment to climate change
IMPACT DESCRIPTION (BAU)	Reputational risk <ul style="list-style-type: none">Risk of not making sufficient progress against our public climate commitments and targets.Risk of reporting inaccurate or incomplete climate data.Poor progress or erroneous metrics on our carbon emissions and climate targets will impact our clients’ willingness to work with us as we may not meet sustainability procurement requirements. This could lead to removal from government panels and loss of work.Increased recruitment costs with the expectation that access to talent may be reduced due to climate performance/poor reputation.
1.5°C WARMING SCENARIO	Under a 1.5°C warming scenario, ⁷ we anticipate the risk likelihood and impact severity to increase from BAU. There will be greater expectation for action and for KPMG Australia to play an active part in our decarbonisation. There will also be increased assurance requirements.
TIME HORIZON	Medium
IMPACT	Moderate
CURRENT CONTROLS	<i>Climate Action commitments</i> <ul style="list-style-type: none">KPMG Australia issued our Climate Action Plan 2023–2030 with clear actions and targets to support our decarbonisation commitment across operations, supply chain, clients and community partners. This included a public commitment to reduce emissions by 50% by 2030 from our 2019 baseline.In September 2025, KPMG International's Global Board endorsed a science-based net zero commitment that extends to KPMG Australia. <i>Climate reporting</i> <ul style="list-style-type: none">We continue to voluntarily report on climate action and decarbonisation progress annually through Our Impact Plan, which is prepared in accordance with GRI Standards.KPMG Australia also publishes an annual climate risk report (this report) which is voluntary at this stage.We renew our Australian Government Climate Active carbon-neutral certification annually. As part of the CY25 Climate Active submission, reported emissions were subject to independent limited assurance in accordance with ASSA 5000 - Sustainability Assurance Engagements.We have strengthened our criteria and due diligence for carbon offsets and in CY25, we entered into a five-year agreement to procure high integrity carbon credits from the WWF Koala Friendly Carbon initiative located in NSW. For CY25, we have maintained a strong proportion of Australian Carbon Credit Units (ACCUs) to 37% of our credit portfolio, with focus on high-quality removal offsets.
TRANSITION RISK	Failure to comply with current and emerging regulation and failing to appropriately remedy/respond to regulatory requirement breaches
IMPACT DESCRIPTION (BAU)	Reputational risk <p>KPMG Australia is subject to an increasing number of climate and sustainability regulations, including potential disclosure standards. Failure of KPMG Australia to meet regulatory requirements may have financial and reputational impacts.</p>
1.5°C WARMING SCENARIO	Under a 1.5°C warming scenario, ⁸ we anticipate the risk impact and likelihood to increase from BAU as regulatory requirements, consequences and targets increase.
TIME HORIZON	Medium-Long
IMPACT	Moderate
CURRENT CONTROLS	<i>Environmental management</i> <ul style="list-style-type: none">KPMG Australia must comply with current and emerging regulation.We are involved in climate-related consultation and submissions across proposed changes globally and in Australia. We leverage our internal expertise such as our Climate Change and Sustainability team and Corporate Affairs teams to respond proactively, including through voluntary publication of our Climate Risk Report to prepare for evolving regulatory expectations.KPMG Australia has response systems in place in the event there is a breach.Our ISO 14001 Environmental Management System provides a structured approach to monitoring environmental obligations, managing non-conformances and driving continual improvement, supporting compliance with current and emerging environmental regulatory requirements.

^{7, 8} KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 25 of this report for further detail.

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Climate-related risks (continued)

PHYSICAL RISK	Frequency and severity of periodic disruption from extreme weather events on offices, other business support locations, our people, suppliers, clients and communities we operate in
IMPACT DESCRIPTION (BAU)	<p>Financial risk/health and safety risk</p> <p>Extreme weather could cause KPMG Australia to suffer direct or indirect financial loss due to the impact on offices or other business support locations, our people, suppliers, clients, and communities we operate in. While KPMG Australia currently experiences periodic disruption from extreme weather events, we anticipate that the frequency and severity of these events will increase in the medium to long term, potentially resulting in:</p> <ul style="list-style-type: none">increased insurance premiums or lease costs on buildings previously damagedlost revenue due to business/travel disruption, client business disruption, critical supplier disruption and/or wider disruption in the communities we operate inhealth and wellbeing issues with our people due to extreme weather events. <p>In the case of severe long-term impacts such as flooding or significant temperature increases, impacts could also include:</p> <ul style="list-style-type: none">costs incurred and/or revenue lost as our business, clients and/or critical suppliers need to withdraw from specific locations or relocaterevenue loss from significant disruption in an individual sector.
5°C WARMING SCENARIO	Under a 5°C warming scenario, ⁹ we anticipate the risk likelihood and impact severity to increase significantly from the BAU base case. There may be a material impact on productivity and wellbeing from employees experiencing heat stress, respiratory irritation from pollution and bushfires, disaster disruption and other health impacts. There would also be significant and widespread economic and infrastructure impacts through our region, disrupting our operations and hindering our ability to do business.
TIME HORIZON	Short, Medium-Long
IMPACT	Moderate ¹⁰
CURRENT CONTROLS	<p>KPMG Australia has established operational climate resilience processes that are guided by available international standards and embedded in policy where possible.</p> <p><i>Location-related disruption</i></p> <ul style="list-style-type: none">KPMG Australia’s offices and support locations are primarily leased, with property decisions considering operational resilience, including climate-related factors. High-quality accommodation is prioritised where available, including PCA A Grade or better and Green Star certified base buildings.Flexible leasing arrangements support adaptability over time, allowing KPMG Australia to respond to changing business, workforce and resilience needs.Remote working arrangements support continuity of operations during climate-related disruption. These arrangements also extend to KPMG Fiji and KPMG PNG, although local infrastructure, connectivity and power reliability remain considerations for future resilience planning.KPMG Fiji has tested work-from-home capability as part of disruption planning, including in response to potential fuel disruption.Response Framework Plans and Response Manuals are in place covering a multi-hazard and multi-risk approach, supported by annual Location Resilience Tests chaired by State Chairs.Where work is required outside or in remote locations, safety remains a priority, including managing exposure to high heat and humidity through relevant client and site-based controls. <p><i>Travel and other supply chain disruption</i></p> <ul style="list-style-type: none">KPMG Australia supplier and procurement processes include operational resilience requirements, with climate risk considerations being integrated into these. Remote working arrangements allow KPMG Australia to pivot operations amid climate-related disruption.Fuel security is becoming an increasing risk in PNG as well as an opportunity to reduce reliance on fossil fuels. KPMG PNG provides bus pick-up services for employees. WFH is another control mechanism. <p><i>Client and wider socio-economic related disruption</i></p> <ul style="list-style-type: none">We are well diversified by sector and geography, which limits the potential impact of disruption in a particular sector or geographic location.KPMG Australia undertakes ISO engagement risk assessments to identify hazards and appropriate controls.KPMG Australia’s People & Inclusion (P&I) team’s risk profile captures impacts due to extreme weather events and includes disaster relief.

⁹ This impact scenario time horizon has been defined within 0–10 years. Under a 2050 or longer horizon, we expect the impact to be significant.

¹⁰ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 25 of this report for further detail.

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Climate-related opportunities

OPPORTUNITY	Differentiating ourselves as a market leader in climate and sustainability
OPPORTUNITY DRIVERS	<p>Enhancing reputation/increasing market share</p> <p>Expectations are increasing among a range of key stakeholders in terms of understanding KPMG Australia’s approach to climate change and climate transition. There is an opportunity for us to differentiate ourselves as a market leader in climate and sustainability, encompassing internal commitments and the professional services we provide, ultimately helping to maintain trust with our clients, the markets and other stakeholders.</p> <p>Increased trust supports our growth ambition, as this will enhance our revenue, talent attraction and retention, and operational efficiencies.</p>
1.5°C WARMING SCENARIO	Under a 1.5°C warming scenario, ¹¹ we anticipate an increased positive impact on KPMG Australia if the opportunity is successfully undertaken. Expectations may shift from dialogue and target projections to actual performance. However, if we are not actively contributing to decarbonisation, this could instead be called out by current and prospective employees, particularly younger workforce cohorts.
TIME HORIZON	Short, Medium
IMPACT	Moderate
CURRENT CONTROLS	<p>Refer to KPMG Australia’s approach to the transitional risk above: ‘Actual or perceived failure to demonstrate the expected commitment to climate change’.</p> <p>KPMG Australia carried out an internal annual Climate Action Survey to understand our respondents’ perception of our climate action. This year’s survey revealed that 95% of respondents agreed or somewhat agreed that ‘KPMG Australia fosters best practice environmental sustainability in its operations and supply chain’; 80% agreed that ‘KPMG Australia’s commitments to Climate Action are ambitious’ (up from 69% last year). In addition, 42% of respondents stated they had been involved in climate action through volunteering, training, and client or pro bono engagements during the year.¹²</p> <p>We are progressing the following additional opportunity measures:</p> <ul style="list-style-type: none">Continuing investment in high-impact programs that differentiate KPMG Australia in the market and to our people.Harness AI’s power to deliver better outcomes for our people, clients and wider society.Showcasing client work relating to supporting decarbonisation and the energy transition.Working with our value chain to provide support in relation to accounting for and reducing their emissions, and in turn helping to reduce our own Scope 3 emissions.KPMG Fiji and KPMG PNG can support South Pacific clients seeking to voluntarily strengthen climate disclosures ahead of future reporting requirements, drawing on regional experience and specialist capability from KPMG Australia.

¹¹ KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 25 of this report for further detail.

¹² Based on the responses in our annual Climate Action Survey, carried out in May 2026, where respondents ‘somewhat agreed, agreed or strongly agreed’ with the statements. More information in [Our Impact Plan](#).

Climate-related opportunities (continued)

OPPORTUNITY	Products and services – increased demand for sustainability advisory/professional services
OPPORTUNITY DRIVERS	<p>Increased demand for climate and sustainability professional services should improve future revenue and financial resilience. Australia’s economy is energy and emissions intensive; there is therefore an opportunity to support its decarbonisation and transition to a net zero future.</p> <p>Additionally, maintaining quality and innovation will further enhance our reputation and trust in KPMG Australia, enhance employee attraction and retention, and potentially support new partnerships and alliances on future go-to-market offerings.</p> <p>We recognise our most significant lever for positive climate impact is through our client work and the role we play in helping clients respond to a range of climate and sustainability challenges, driven by regulation, strategy and purpose.</p>
1.5°C WARMING SCENARIO	<p>Under a 1.5°C warming scenario,¹³ we anticipate a further increased positive impact on KPMG Australia if the opportunity is successfully undertaken.</p> <p>Increasing prices on carbon liability, increased market pressure to decarbonise and incentives/legislative regime to act will increase revenue from KPMG Australia assisting clients.</p>
TIME HORIZON	Short, Medium
IMPACT	Major
CURRENT CONTROLS	<p>KPMG Australia’s global strategy has been developed with a focus on the impact of climate and sustainability across all professional services to capitalise on potential growth areas amid the global economy’s transition to a net zero future. Service and product development is based on subject matter expertise, sector insights, regional knowledge, and alliance partners. We contribute to and benefit from our global delivery assets, IP, tooling, and subject matter experts, while developing local expertise regarding climate and professional services.</p> <p>In addition, enhancing our response to sustainable AI has become a key opportunity to differentiate ourselves in the market. Refer to Our Impact Plan for details and case studies.</p> <p>Client opportunities can be categorised into three broad areas:</p> <ul style="list-style-type: none">Regulation and reporting driven – supporting clients regarding compliance with emerging climate and sustainability regulation, voluntary standards and assurance.Strategy driven – supporting clients where climate and sustainability professional services provides a clear strategic opportunity.Purpose driven – supporting clients with an approach to business that goes beyond commercial outcomes.
OPPORTUNITY	Sector-related growth relating to anticipating the needs of different client sectors and building KPMG Australia capacity in response
OPPORTUNITY DRIVERS	<p>We recognise that as we transition to a net zero economy, different client sectors are likely to be impacted by climate opportunities in different ways. Anticipating the needs of these sectors and building our capacity in response can help us grow revenue and increase market share while supporting these sectors through the transition.</p>
1.5°C WARMING SCENARIO	<p>Under a 1.5°C warming scenario,¹⁴ we anticipate potential capability and capacity constraints. Challenges include improving climate literacy, increasing the skillsets of our people, and leveraging the subject matter experts within the firm to the maximum extent possible.</p>
TIME HORIZON	Short, Medium
IMPACT	Major
CURRENT CONTROLS	<p>We are aligning, expanding and tailoring our offerings both to support clients through the net zero transition and to capitalise on potential growth areas within the global economy’s transition to a net zero future.</p>

^{13, 14} KPMG Australia uses the scenarios developed by KPMG International, using 1.5°C of warming for transition risks, and 5°C of warming for physical risks. See page 25 of this report for further detail.



Risk management

KPMG global risk management framework

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



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

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

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

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



Key sustainability risk indicators

In alignment with KPMG International, we have identified and assessed key risks, including climate-related. These include the risk of KPMG Australia failing to:

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

Identifying and assessing climate-related risks and opportunities

During the year, KPMG Australia continued to review and operationalise climate-related risk controls, including through engagement with relevant internal stakeholders and Climate Action Taskforce members.

This process helped confirm current control activities, identify responsible business areas, inform updates to the Climate Risk Register and identify needed actions within the firm. We expect this process to continue to evolve as we prepare for future mandatory climate reporting requirements under AASB S2.

We have reviewed and continue to evolve identified climate risks and opportunities first published within our KPMG Australia Climate Risk Report 2024, which were based on KPMG International’s developed scenarios for transition and physical risks within the [KPMG International Climate Risk Report \(March 2024\)](#). This update builds on KPMG International’s transition-scenario analysis data for Australia and scenario analysis performed last reporting period for KPMG Fiji and KPMG PNG.

We continue to draw on KPMG International’s global transition and physical risk scenarios as a starting point for our assessment. Through an internally led process, informed by stakeholders across KPMG Australia, KPMG Fiji and KPMG PNG, we tailored these risks and opportunities to reflect our regional context, operational exposure and current control environment. The outcomes are summarised in the [Strategy section](#) of this report.

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

Risk identification

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

Risk assessment and validation

For each relevant risk identified during the risk identification process:

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

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

Managing our climate-related risks and opportunities

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

1 Assigned accountable owners for each material risk and opportunity.

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

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

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

4 Reported to KPMG Australia's NEC and Board at least annually, ensuring governance visibility and oversight.

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

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

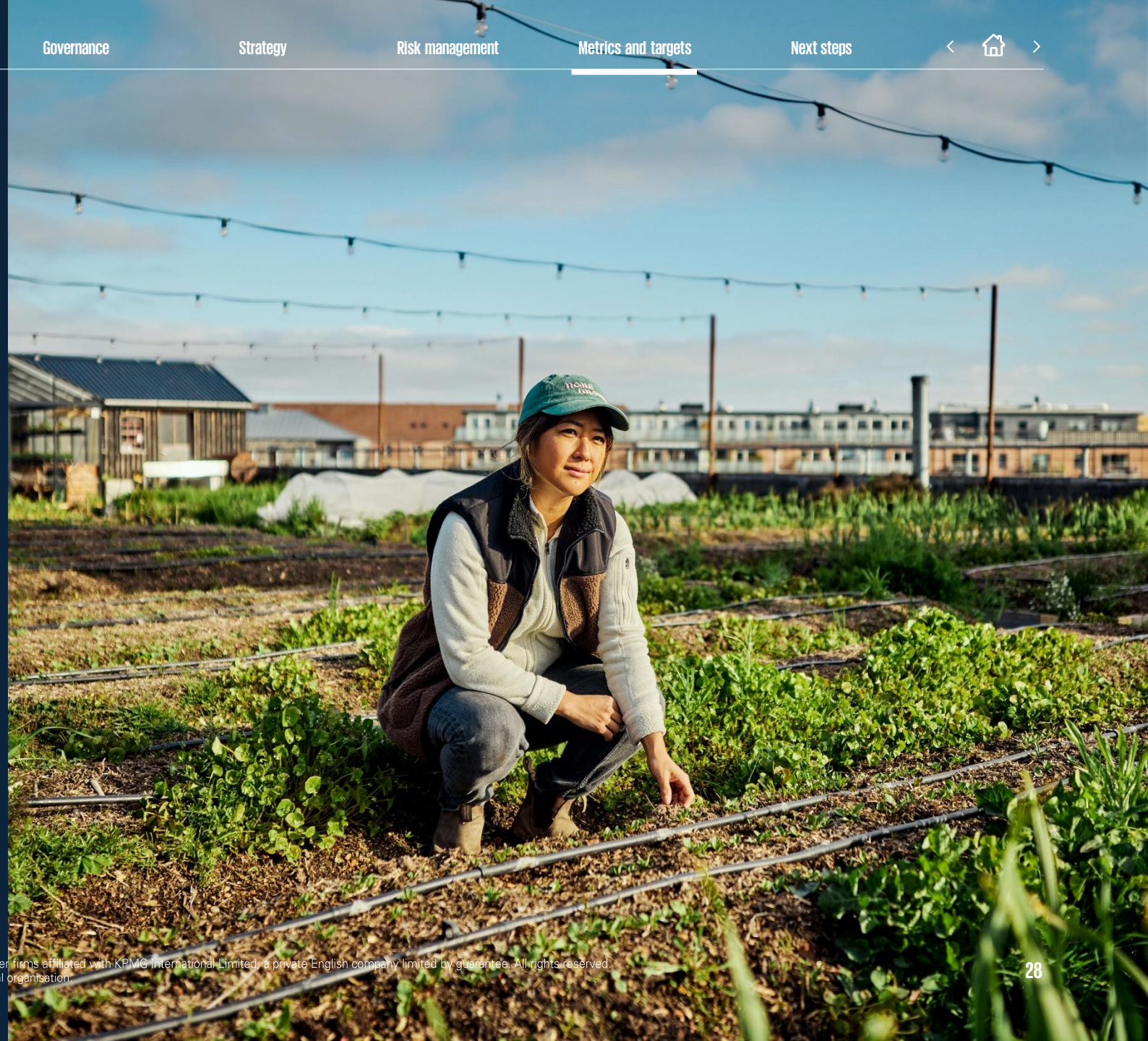


Metrics and targets



Our approach to target setting

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



Our Climate Action targets and commitments

This section summarises the climate-related targets and metrics most relevant to this Climate Risk Report, including our gross emissions performance and selected indicators used to monitor progress.

This year, we continued to progress our Climate Action Plan commitments, including through our ongoing focus on decarbonising our operations and supply chain, supporting clients with their transition to net zero, and improving our understanding of nature and biodiversity impacts.

We maintained our [Climate Active](#) certification supporting the annual measurement and disclosure of our emissions were subject to independent limited assurance in accordance with ASSA 5000 – Sustainability Assurance Engagements.

Our Commitment: Decarbonise our operations and supply chain towards net zero

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

In September 2025, KPMG International launched our first global [Summary Climate Transition Plan](#) which endorses a science-based net zero target to reduce absolute Scope 1, 2 and 3 greenhouse gas (GHG) emissions by 90% by 2050, against a 2019 baseline, consistent with a 1.5°C pathway.

This long-term ambition complements KPMG International’s SBTi-validated near-term target to reduce absolute emissions by 50% by 2030.

During CY25, KPMG Australia reported a 41% reduction in greenhouse gas emissions against our restated CY19 baseline. This reflects continued progress towards our 2030 target, while recognising that further decarbonisation will be required across material Scope 3 emissions sources.

Our Progress - Decarbonise our operations and supply chain towards net zero: our progress

METRIC	CY25	CY24	CY19
Emissions by scope (tCO2-e) ¹⁵			
Scope 1 emissions ¹⁶	174	185	2
Scope 2 emissions (market-based)	0	230	5,939
Scope 2 emissions (location-based)	4,983	3,666	5,939
Total Scope 1 & 2 emissions (market-based)	174	415	5,941
Scope 3 – business travel (air travel)	14,018	20,995	30,331
Scope 3 – purchased goods and services (ICT services and equipment) ¹⁷	8,774	6,510	11,298
Scope 3 – other ¹⁸	8,160	8,727	4,380
Total Scope 3	30,952	36,232	46,009
Total Scope 1, 2 & 3 emissions	31,126	36,647	52,351
Emissions performance metrics			
Change in gross Scope 1, 2 & 3 emissions against CY19 baseline	-41%	-30%	–

¹⁵ Emissions include KPMG Australia, KPMG Fiji and KPMG PNG. CY19 baseline emissions have been restated and independently verified to reflect the expansion of KPMG Australia's emissions boundary and improvements in data quality. The restated baseline now includes Scope 3 emissions from ICT equipment and services and employee commuting (first reported in FY24). These changes increased the CY19 baseline from 46,009 tCO₂-e to 52,351 tCO₂-e and provide a consistent basis for tracking progress against our emissions reduction targets. To ensure consistency and comparability of emissions data over time, a uniform uplift factor was applied to each reporting year from CY20 to CY24.

¹⁶ Includes gas for offices and fuel for PNG vehicles.

¹⁷ Emissions boundary expanded in CY25 to include ICT services and equipment including computer and electrical parts, components, hardware and accessories, computer and technical services, digital storage and internet access, third-party data centres, and telecommunications.

¹⁸ Aligned to Climate Active inventory, e.g. transport and distribution (courier services) purchased food and onsite catering, office supplies and approximate energy consumption from staff working from home.

During the year, we expanded our emissions boundary to include technology-related emissions, including emissions associated with third-party data centres. This source accounted for 8,774 tCO₂-e representing approximately 28% of our total reported emissions for CY25. The boundary expansion improves visibility over emissions associated with our use of digital technology and supports more informed engagement with technology suppliers over time. As a result, we completed a re-baselining of our 2019 emissions baseline to reflect improvements in data quality and the expansion of our emissions boundary.

Air travel remains a material source of emissions for KPMG Australia. In CY25, reported air travel emissions decreased compared to the previous year, primarily due to updated emissions factors. We will continue to encourage appropriate travel behaviours, monitor domestic and international air travel, and use our IPC which applies a fee to air travel emissions, as a lever to support more informed travel-related decision-making.

We also maintained our commitment to source 100% renewable electricity for our tenancies including our offices in Fiji and Papua New Guinea.

DECARBONISATION	CY25 ¹⁹	CY24 ²⁰	CY23 ²¹
Change in gross Scope 1, 2 & 3 emissions against 2019 baseline	-41%	-30%	-34%

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

Our purchased goods and services constitute a large portion of our Scope 3 emissions, second only to air travel. We have made good year-on-year progress in increasing the percentage of spend with suppliers that have science-based net zero targets – from 59% in 2023 to 72% for the past year as we continue to strive towards our 80% target.

We identified that uptake of such targets varies across industries. For existing suppliers in industries slower to adopt net zero targets, or those that need help setting climate goals, we offer workshops and education sessions to support their progress.

We continue to engage and collaborate with suppliers through our Sustainable Procurement Framework to enhance environmental performance and to promote knowledge sharing.

SUPPLY CHAIN ²²	CY25	CY24	CY23
Percentage of spend towards suppliers with science-based net zero targets	72%	68%	59%



Our Commitment: Strengthen climate resilience with our people, clients and community partners

During CY25, KPMG Australia continued to upskill its people through sustainability, climate risk and transition-related learning, including 140 individual learning modules with 4,864 completions by more than 1,400 people through online training, alongside external learning opportunities with institutions including NYU Stern and Cambridge University. Firm-wide learning has also increasingly focused on the responsible use of AI, including Trusted AI training that identifies sustainability as a key consideration within KPMG’s Trusted AI framework.

Business continuity planning remains an important operational control for climate-related physical risks, particularly where extreme weather or other disruptions may affect office access, workforce wellbeing and client service delivery.

During the year, KPMG Australia continued to review operational resilience arrangements across Australia, Fiji and PNG, including scenario-based training and work-from-home testing for potential office closures and other disruptions.

KPMG Fiji and KPMG PNG tested remote working arrangements and local response protocols; it was highlighted that connectivity, power reliability and data access will remain important considerations for future resilience planning.

^{19, 20, 21} Emissions figures have been restated to reflect updates to KPMG Australia’s emissions boundary and baseline in alignment with our Climate Active reporting.
²² Correction made to align reporting period tracking (CY vs FY) with [Our Impact Plan Databook](#).

Our Commitment: Support our clients’ and Australia’s transition to net zero

We continue to embed sustainability into our services. From audit and assurance to tax, legal and advisory, we are integrating climate considerations into the services we provide to clients.

During the year, KPMG Australia supported more than 100 organisations prepare for the new mandatory climate reporting framework.

In March 2026, we published the [AASB S2 First Impressions](#) report, bringing together early insights from Australia’s first wave of Group 1 public reporting entities, representing the first report in accordance with AASB S2. The report highlights emerging practices and areas of divergence across governance, strategy, climate-related risks and opportunities, emissions and targets, and assurance, providing a practical, board-relevant reference point on how first-wave AASB S2 reporting is taking shape.

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

Metric: Carbon intensity of our client portfolio – innovation in action

Three years ago, we developed an innovative way of measuring the emissions within our client portfolio, which we used annually. This analysis has shown that the majority (over 50%) of these emissions relate to less than 5% of our total client work, and most of this relates to clients in the energy sector.

As a result, through an extensive internal process we have developed a set of principles to ensure that our work in the energy sector aligns with our core values and our purpose. All client work is now assessed as part of our engagement acceptance processes against these principles. Given the deep expertise and complex challenges involved in Australia’s energy transition, decisions are often escalated to a senior decision-making body.

We are aware that a number of global GHG measurement bodies (including the GHG Protocol) are now considering how these types of emissions (sometimes referred to as facilitated emissions) are embedded into updates to the mainstream global GHG standards and frameworks. Given these developments, and the implementation of our new internal processes, we have redirected our innovation efforts to other areas where we can make an impact, including AI.



Our Commitment: Understand and improve our impact on nature and biodiversity

We remain committed to understanding and improving our impact on nature and biodiversity as an important part of the climate solution.

This year we continued to progress this commitment by supporting startups developing practical solutions to protect nature and restore biodiversity through the fourth KPMG Nature Positive Challenge, focused on AI for Nature and Circular by Nature.

We also continued to support nature and biodiversity outcomes through the procurement of high-integrity carbon credits, including from the WWF-Australia Koala Friendly Carbon Initiative.

As part of KPMG Australia's commitment to plant a tree annually for every KPMG employee, 10,200 native trees were planted in FY26 in collaboration with ReForest Now, bringing the total to 37,830 trees planted since 2019, excluding trees funded through carbon credits.

The planting supported restoration in North Sumatra's Gunung Leuser ecosystem, using 43 native species, contributing to landscape restoration, biodiversity protection and local community resilience.

Our Internal Price on Carbon (IPC)

KPMG Australia's IPC was established four years ago to embed the cost of carbon into business decision-making and promote more sustainable travel behaviours.

This year, funds collected through the IPC were directed towards the purchase of certified carbon credits and projects focused on biodiversity conservation and native forest regeneration. Australian Carbon Credit Units represented 37% of KPMG Australia's CY25 offset portfolio, compared with 8% in CY22. This reflects our continued focus on increasing the proportion of offsets sourced from the countries in which we operate.

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

Other key climate reporting commitments

Executive remuneration

KPMG Australia considers climate-related risks and opportunities through its broader governance, strategy and enterprise risk management processes. We recognise that greater transparency is needed on how climate-related responsibilities relate to executive remuneration, including as we prepare for future reporting under AASB S2. This remains an area for review as our climate governance and reporting processes mature.

Next steps

- 1

We will strengthen our climate risk management and prepare for future reporting under AASB S2, including by mapping our existing TCFD-aligned disclosures to the AASB S2 and improving assurance readiness.
- 2

We will conduct an annual climate risk and opportunity review, engaging with internal and external stakeholders to validate materiality, confirm responsibilities, review controls and identify where further operationalisation is required. We will also consider whether updates to our scenario analysis are required as our reporting approach matures.
- 3

We will continue to progress our decarbonisation and targets, including net zero transition planning, interim milestones, and alignment with KPMG International’s targets and commitments. As our use of AI and digital technologies grows, we will also continue to improve how we monitor and manage technology-related emissions.
- 4

We will continue to support clients in managing their climate-related risks and opportunities by investing in skills, data platforms, and AI-powered solutions, and by applying our expertise in climate governance, scenario analysis, and disclosure preparation and assurance readiness.
- 5

We will continue to build climate capability across the firm, including through internal education and training to support climate literacy across audit, tax, consulting, and advisory practices and with our National Governance Board.





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Appendix A: TCFD

TCFD index

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

TCFD DISCLOSURE	RECOMMENDED DISCLOSURE	REPORT SECTION
Governance Disclose the organisation’s governance around climate-related risks and opportunities.	a) Describe the board’s oversight of climate-related risks and opportunities. b) Describe management’s role in assessing and managing climate-related risks and opportunities.	Governance, page 10 . Governance, page 11 .
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning. c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	 Strategy, page 16 .
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation’s processes for identifying and assessing climate-related risks. b) Describe the organisation’s processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Risk management, page 25 . Risk management, page 26 . Risk management, page 26 .
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	 Metrics and targets, page 29 .



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

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

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

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

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

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

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

Elements of the TCFD

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

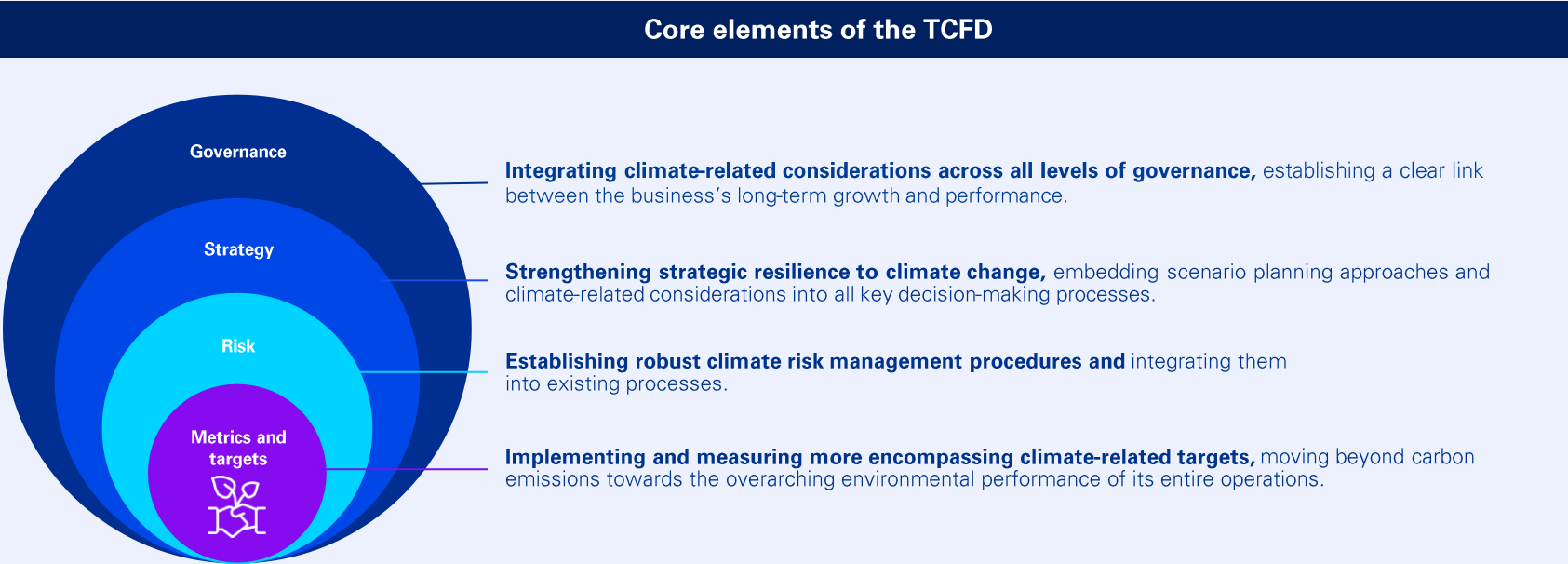


Figure 2: Structure of TCFD