



17th February 2017

Investors welcome APRA recognition of climate change as financial risk

The Investor Group on Climate Change (IGCC) welcomes comments today by APRA Executive Board Member Geoff Summerhayes acknowledging the reality that climate change poses a material financial risk for Australian business and the economy.

IGCC has been working on the financial and investment implications of climate change for over a decade.

IGCC endorses the statement by APRA Executive Board Member that:

“while climate risks have been broadly recognised, they have often been seen as a future problem or a non-financial problem. The key point I want to make today, and that APRA wants to be explicit about, is that this is no longer the case. Some climate risks are distinctly ‘financial’ in nature. Many of these risks are foreseeable, material and actionable now. Climate risks also have potential system-wide implications that APRA and other regulators here and abroad are paying much closer attention to”.

APRA has also clearly stated that they now see *“climate risks as part of [their] broader approach to prudential risk management and supervision”.*

This has significant implications for Australian business.

In commenting on the speech, Emma Herd, Chief Executive Officer of the Investor Group on Climate Change said: “APRA’s comments today bring home the reality that climate change is a major economic force impacting the way we think about risk and opportunity”.

“APRA’s comments build upon The Paris Agreement, which was a huge market signal for business and investors. The work of the FSB Taskforce on Climate-related Financial Disclosure (TCFD) which followed in 2016 reinforced industry and investor appetite for greater clarity on how to price, manage and capitalise on the economic transition being driven by climate change. APRA has now responded and set out clearly their view that Australian companies should be managing climate change and that there are system-wide implications for the Australian economy in how we manage this transition”.

IGCC looks forward to working with financial regulators and Australian business on how to best promote an efficient and smooth transition to a net zero emissions economy.

The full speech **Australia's new horizon: Climate change challenges and prudential risk** is available at <http://www.apra.gov.au/Speeches/Pages/Australias-new-horizon.aspx>

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