

APRA SPEECH SHOWS REGULATORS AND COMPANIES ARE STEPPING UP THEIR GAME ON CLIMATE RISK

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FOR IMMEDIATE RELEASE

The Australian Prudential Regulation Authority has today made clear that climate-related risks are financial as well as environmental in nature, and that the financial markets regulator is focussed on potential system-wide impacts of climate change.

“While climate risks have been broadly recognised, they have often been seen as a future problem or a non-financial problem” APRA Executive Board Member Geoff Summerhayes said in a speech in Sydney. “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.”

Mr Summerhayes’ speech, entitled ‘Australia’s new horizon: climate change challenges and prudential risk’ is the first of its kind by a leading Australian regulator. The remarks are part of a new wave of leadership by company leaders, investors and regulators who are focussed on ensuring a smooth transition as economies and financial systems around the world transition to a low-carbon future.

“All the signs are pointing in the same direction” said Sam Hurley, director of CPD’s Sustainable Economy Program. “Australia’s ratification of the Paris agreement locks in more ambitious emissions reductions targets and policies. Globally, business leaders from Michael Bloomberg down are leading the drive for better disclosure and management of climate-related risks. As our recent work shows, company directors who fail to properly consider the business impacts of climate change may be held liable for breaching their legal duties.”

“Today’s speech is another crucial marker as these issues come into focus” said CPD CEO Travers McLeod. “Climate risks are not going away. Companies and economies can prepare for this transition now or face sharper, more disruptive changes later.”

Last October, CPD and the Future Business Council co-hosted a high-level roundtable to discuss the implications of a new legal opinion on directors’ duties and climate change, cited in today’s speech. Mr Summerhayes joined those discussions along with 30 representatives from the corporate, superannuation and legal communities.

Sam Mostyn, moderator of the roundtable and respected non-executive director, said today’s developments reinforce the momentum that is building for more ambitious, effective climate policy. “APRA should be congratulated for bringing some clarity to this discussion. The CPD-FBC roundtable aimed to prompt public leadership on climate related risks, and that’s what we’re seeing.”

“The message for boards and directors is clear” she said. “We need to ensure our companies have the targets, skills and processes to identify, disclose and manage climate risks. And we should use our insights and experience to support consistent, reliable policy in this area, because flawed policy simply makes the risks greater.”

CPD Policy Director Sam Hurley is available for interview.

Further information: <http://cpd.org.au/2016/10/directorsduties>

Media contact: Shivani Nadan 0409 010 818