

APRA: Climate Change Risk, part of the “new normal” for Financial Services Sector

Canonical:

<https://northmoregordon.com/news/apra-climate-change-risk-part-of-the-new-normal-for-financial-services-sector/>

Details:

[Summary](#) | [Article](#) | [Current use](#) | [Related guidance](#)

About this update

This dated news record has been reorganised for clear reading and connected to current guidance.

Publication date: February 20, 2017.

Status note: Present-tense statements, market figures, deadlines and program details in the archived record belong to its publication date. Check current official sources before making a decision.

What this article reported

The speech by Geoff Summerhayes, Executive Board Member of APRA, at the Insurance Council of Australia Annual Forum in Sydney last week made it very clear that the regulator now sees climate change as completely real and something that must be priced into premiums and tested as a system-wide risk for the insurance industry. He also reminded the audience that company directors may be found personally liable if they do "fail to properly consider and disclose foreseeable climate-related risks to their business".

"I think the days of viewing climate change within a purely ethical, environmental or long-term frame have passed. More and more, the conversations we are having are about the practical realities and consequences of a changing climate. One reason for this is that we now have a much more sophisticated, granular, quantifiable understanding of the impacts, risks and probability distributions around climate change. This is true on the planetary scale."

It's amazing that now we have regulators, banks, insurance companies, the Business Council of Australia, state governments and the general public accepting that climate change is very real and needs to be addressed, yet our Federal Government continues to hide their head in the sand or bow to the climate deniers in their party.

[Full article - APRA's 2017 climate-risk speech](#)

How to use this information now

For current use, confirm the applicable scheme rules, regulator notices, market date and reporting period. Keep historical prices or forecasts separate from present quotes and verified outcomes.

Separate source-reported facts from forecasts, targets and commentary. For a current project, retain the official source, version, effective date, assumptions and decision record in the evidence file.

Related guidance

[Carbon advisory](#)

[Current articles and guidance](#)

Contact Northmore Gordon

Why is APRA's recognition of climate change as a financial system risk significant for Australian businesses?

APRA's stance signals that climate change is no longer viewed through an ethical or long-term lens alone, but as a quantifiable, system-wide financial risk requiring immediate practical action. This shift means businesses must integrate climate risk assessment into their core financial planning and risk management. Company directors face potential personal liability if they fail to properly consider and disclose foreseeable climate-related risks. For organizations, this translates to mandatory climate-risk disclosure in financial reporting, integration of climate scenarios into capital planning, and reassessment of operational resilience. We assist by conducting climate-risk assessments, transition planning, and preparing emissions inventories and NSW Climate Change Mitigation and Adaptation Plans that demonstrate board-level climate governance and risk management.

What does APRA's requirement to price climate change into insurance premiums mean for businesses?

APRA's directive that climate change must be priced into insurance premiums reflects the authority's quantified understanding of climate impacts and probability distributions. For businesses, this means insurance costs will rise as insurers incorporate climate-related asset damage, operational disruption, and liability risks into their pricing models. Organizations operating in climate-exposed regions or with material climate dependencies will face higher premiums. This creates a financial incentive to reduce physical climate vulnerability and emissions. We support this by identifying emissions reduction opportunities, conducting electrification and renewable energy feasibility studies, and providing transition planning that demonstrates to insurers and lenders that the organization is actively managing climate risk and reducing exposure over time.

How does director liability for climate-related risks affect corporate governance and decision-making?

Geoff Summerhayes' warning that company directors may face personal liability for failing to consider and disclose foreseeable climate-related risks elevates climate governance from a corporate-responsibility issue to a fiduciary duty matter. Directors must now ensure their organizations have documented climate-risk assessments, board-approved transition strategies, and transparent climate-related disclosures in financial reports. This requires boards to allocate resources to climate assessment, establish clear accountability for implementation, and track progress against defined targets. Organizations must move beyond aspirational net-zero statements to concrete emissions inventories, identified reduction pathways, and documented decision records. We provide ASRS-aligned reporting support, climate-risk scenario analysis, and opportunity assessment to help boards fulfill these governance obligations with traceable evidence.

What practical difference does having 'sophisticated, granular, quantifiable' climate data make to an organization's response?

Summerhayes emphasized that climate impacts are now understood at planetary scale with quantifiable probability distributions. This means organizations can move beyond generalized climate concern to precise risk modeling tied to their specific operations, locations, supply chains, and revenue models. Granular climate data enables scenario planning—modeling asset performance under 1.5°C, 2°C and higher warming pathways—and connecting climate outcomes to financial implications. This precision allows boards to prioritize adaptation investments and transition pathways based on material risk exposure rather than guesswork. Our moreData platform and scenario-support services help organizations translate publicly available climate data into facility-specific, quantified risk assessments and financial-impact projections that inform capital allocation and strategic planning.

Why is the contrast between regulator and government positions on climate change operationally important?

The article highlights a divergence: APRA, banks, insurers, the Business Council of Australia, state governments and the public accept climate change as real and material, while the Federal Government's stance is characterized as obstructive. This creates operational uncertainty for businesses navigating conflicting policy signals. Federal support for energy transition investments, carbon-pricing mechanisms, and renewable energy schemes remains inconsistent, complicating long-term capital planning. However, state-based schemes (NSW ESS, Victorian Energy Upgrades, ACCUs, NGER) and financial-sector pressure continue to drive climate accountability regardless of federal positioning. Organizations must prepare for climate regulation and investor expectations independently of federal policy. We assist by helping businesses identify regulatory obligations across multiple Australian jurisdictions, access available state-based certificate and funding schemes, and build transition cases resilient to federal policy uncertainty.

How does climate risk disclosure in financial reporting connect to emissions reporting obligations?

APRA's emphasis on climate risk as a financial system concern directly supports mandatory sustainability reporting under ASRS (Australian Sustainability Reporting Standards) linked to Chapter 2M financial-reporting obligations. Organizations subject to ASIC's phased cohorts (financial years from 1 January 2025, 1 July 2026, and 1 July 2027) must provide climate-risk disclosures, transition strategies, and emissions data. Climate-risk assessment and financial-impact analysis are now inseparable from emissions accounting and reporting. A complete response requires documented Scope 1, 2 and 3 inventories, identified climate risks to each material business segment, scenario analysis of transition pathways, and quantified financial implications of both climate impacts and decarbonization. We provide end-to-end ASRS support spanning emissions inventories, climate-risk/scenario analysis, transition planning, and financial-impact assessment integrated with investor-grade reporting evidence.

What governance structures should organizations implement to address APRA's climate risk expectations?

APRA's position requires boards to establish clear climate governance: documented assessment of material climate risks, board-approved transition strategies with quantified targets and timelines, accountability assigned to named executives, regular progress reporting, and transparent stakeholder communication. Organizations must separate the climate-risk assessment from aspirational net-zero messaging and demonstrate concrete action: measured emissions baselines, funded emissions-reduction pathways, identified opportunities with timelines and capital requirements, and aligned investment decisions. This includes establishing an opportunity register tracking candidate measures, assigning ownership, documenting dependencies, and monitoring progress. We support this through CCMAP assessment and planning for NSW licensed premises, opportunity assessment and transition pathway development, climate-risk/scenario support with recorded assumptions, and implementation oversight that produces auditable evidence of governance and delivery.

How should financial institutions and their clients prepare for APRA's quantified climate risk framework?

APRA's shift to quantified, granular climate risk assessment means financial institutions (banks, insurers, funds) will require counterparties to demonstrate climate resilience and credible transition strategies before extending credit, insurance coverage, or investment capital. Clients must prepare detailed climate-risk profiles: asset-level exposure to physical risks, scenario analysis showing business viability under different warming pathways, emissions inventories and reduction commitments, and documented board oversight. Financial institutions will demand evidence rather than aspirational statements. Organizations should conduct climate vulnerability assessments, identify which assets or operations face material physical or transition risk, and develop costed adaptation and mitigation plans.

We assist financial sector clients and their borrowers by conducting climate-risk assessments, building investment cases for resilience and transition measures, and creating auditable transition plans with financial implications that meet lender and insurer due-diligence requirements.