

**9QW: From Mr Adam Bandt MP**

**Topic: Statement made by APRA regarding consideration of climate change risks.**

**Question:**

With respect to companies within ASIC's jurisdiction, does ASIC agree with the following statement from APRA, found in the speech of Mr Summerhayes?

*A critical implication of what I have just recounted is the importance of considering, and modelling, the potential impact of climate-related risks under different scenarios and over different time horizons. The most important scenario, in my opinion, is the sub-2 degree Celsius transition scenario that the Paris Agreement is anchored around, since that will guide much of government policy around the world.*

**Answer:**

The Paris Agreement on climate change, reached in December 2015, commits signatories to "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels". To date, 193 countries have ratified the agreement, including Australia.

Having regard to the requirement under the Act and Australia's ratification of the Paris Agreement, ASIC considers Mr Summerhayes' statement may apply to some companies within ASIC's jurisdiction depending on the individual circumstances.

Consistent with the duties of due care and diligence and good faith under sections 180 and 181 of the Act, directors are required to appropriately consider risks faced by the company and act accordingly. In some cases, depending on the circumstances of the company, these risks may include climate-related risks that could warrant more detailed scenario analysis in order for directors to satisfy their duties under the Act. ASIC notes that a decision to undertake this sort of analysis is to be made by the directors of the company and will vary according to each company's specific circumstances.