

30.07.2021

General Manager, Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority

By email: PolicyDevelopment@apra.gov.au

Dear APRA,

Medibank Private Limited – Submission on Draft PPG on Climate Change Financial Risks

Thank you for the opportunity to provide feedback on the Draft Prudential Practice Guide - CPG 229 Climate Change Financial Risks.

Medibank Private Limited (Medibank) strongly supports the development and publication of Prudential Practice Guide CPG 229, which provides guidance and direction on managing climate change financial risks. We are also supportive of CPG 229 being aligned with recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), noting that Medibank aligns its reporting to the TCFD.

Medibank believes that CPG 229 provides appropriate and proportionate flexibility, thereby allowing entities to configure climate risk management best suited to that entity's risk profile and business model. The level of adaptability under CPG 229 helps ensure climate risks and opportunities are fully integrated into an entity's business operations and processes.

In terms of the consultation topics, we have addressed these below in the order presented in APRA's letter of 22 April 2021. We note that APRA asked Medibank to consider how the guidance may be applied within the context of our structure, business requirements and objectives.

Governance

We support the recommendations within the Governance section of CPG 229. We note that climate risk is embedded into Medibank's Enterprise Risk Management process, with clear roles and responsibilities for senior management as well as visibility by Medibank's Board.

Risk Management

We agree with the recommendations set out in the Risk Management section, including those relating to policies and procedures, risk identification, risk monitoring, risk management and risk reporting. Medibank's approach to identifying, monitoring and managing climate-related risks is fully in line with APRA's guidance.

In relation to recommendation 25, to the extent that the risks are likely to have a material impact on capital we agree that the Internal Capital Adequacy Assessment Process (ICAAP) is an appropriate framework.

While we acknowledge that the guidance recognises the range of exposures that exists across APRA-regulated industries, Medibank would welcome further statements that reinforce the notion that the materiality assessment of climate risk (within the auspices of an institution's CPS 220-compliant Risk Management Framework) is the key to determining the applicability of the various management, monitoring and response activities referred to in the Prudential Practice Guide, especially in the governance and risk management sections.

In relation to Medibank's investment portfolio, [Medibank's Responsible Investment Policy](#) sets out our commitments to environmental, social and governance (ESG) screening and our commitment to a low-carbon exposure investment portfolio. Medibank transitioned to a low-carbon investment portfolio in 2019 (for both our international and domestic equities), and our investment portfolio is 40-50% lower in carbon than the benchmark.

Scenario analysis and disclosure

Medibank supports the recommendations to develop capabilities in climate risk scenario analysis and stress testing.

We have completed a Climate Scenario Analysis which was informed by publicly available information, external experts and Medibank's own data. Medibank's Climate Scenario Analysis was based on two scenarios – a low emissions scenario aligned with the Paris Agreement (RCP 2.6) and a high emissions scenario (RCP 8.5) per the recommendations of the Climate Measurement Standards Initiative. Our Climate Scenario Analysis modelled physical (acute and chronic) and transition risks in each scenario and projected the potential financial impacts to the business, as well as identifying potential opportunities.

In terms of disclosure, Medibank will be publishing the key findings of our Climate Scenario Analysis in our FY21 reporting suite.

If you have any further questions relating to this submission please contact [REDACTED] Compliance and Regulatory Affairs Business Partner, on [REDACTED] or email [REDACTED]

Yours sincerely

[REDACTED]
Chief Risk Officer