



The ESG wave in the broader context

ESG is here to stay



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01

What is ESG?

ESG is the future

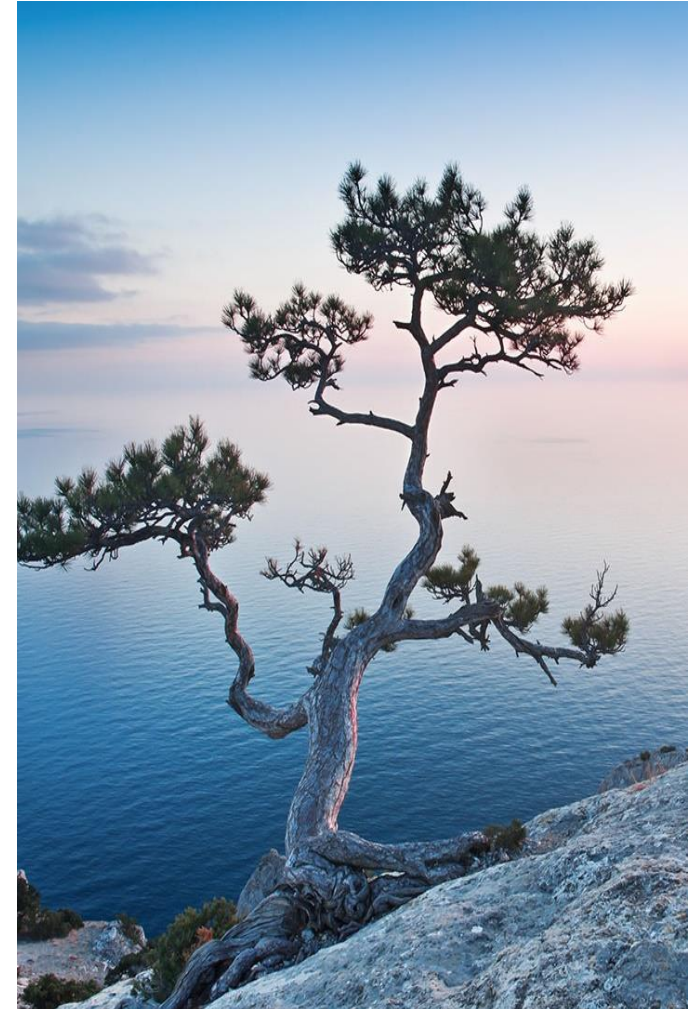
ESG is a critical design principle for the organization of the future.

ESG is about opportunity...

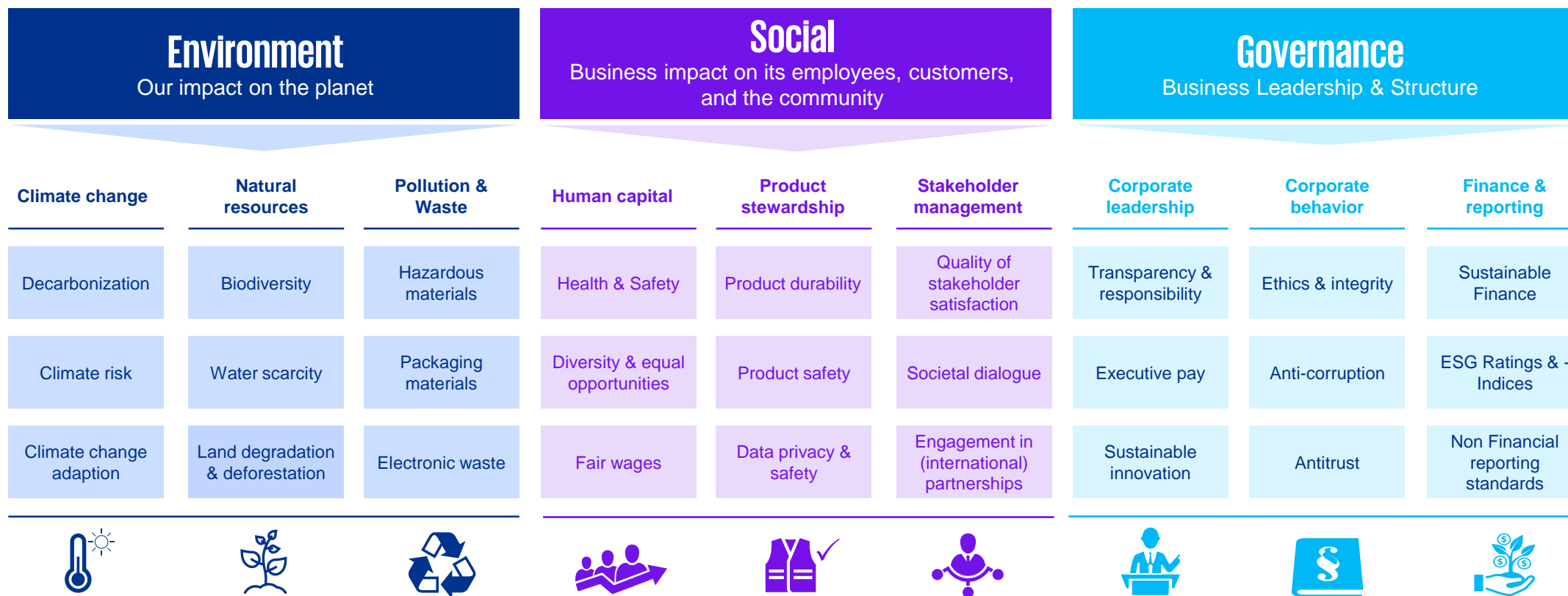
Organizations that capitalize on this opportunity and transform their operations for better will be rewarded, with all manner of financial and non-financial benefits on the table.

...and business continuity.

Factoring ESG into the transformation agenda is imperative to risk mitigation, change management and building trust, which are all key to ensuring the company's longevity and success.



ESG represents key areas on which companies are evaluated



The commitment to these themes is an important factor for external stakeholders, such as, consumers, investors and governments

A few insights from KPMG's latest ESG survey

80%

CEOs believe ESG metrics are essential to their data and reporting strategy

96%

Share of G250 companies report on ESG matters

64%

Share of the G250 acknowledge climate change as a risk to their business

<10%

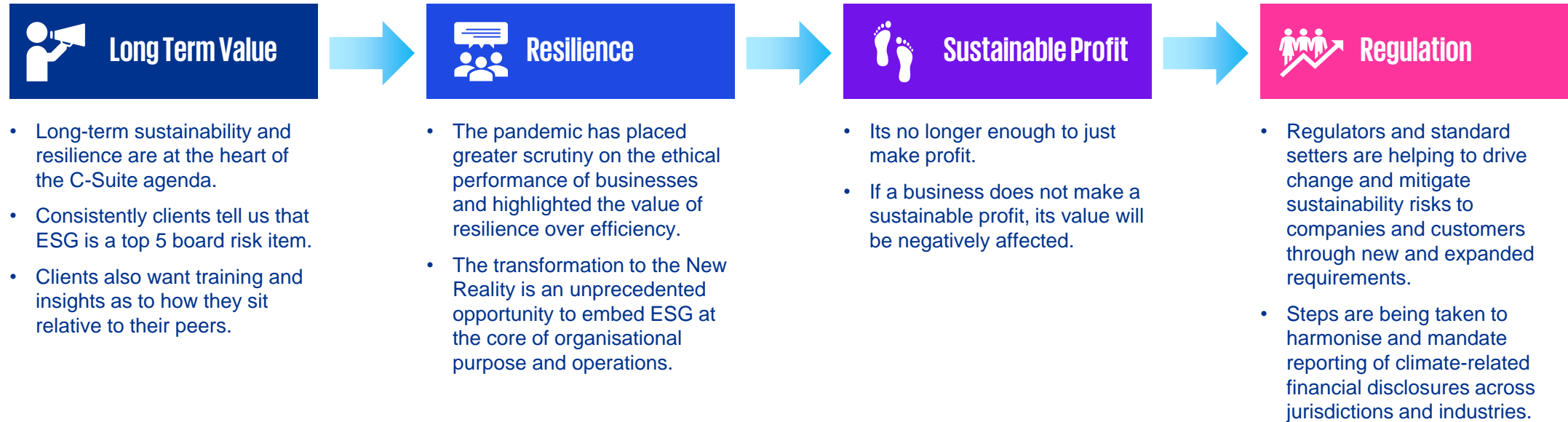
Of KPMG's clients believe they have the right processes and systems in place to support their Finance & Reporting organisations

02

Why is ESG so relevant?

Why is ESG important?

Customers, employees, shareholders, lenders, rating agencies and regulators are demanding that companies consider how their business impacts the world, their contribution to society and how they conduct themselves.



Market leaders are those firms that have realised the importance of ESG and the potential value it can bring to their business. They are already capitalising on the market opportunities in the short, medium and longer-term. Market laggards on the other hand will lose out on these opportunities unless they take action soon in embedding ESG into their business practices to achieve long-term sustainable growth.

What benefits could ESG generate?

Incorporating ESG in the transformation agenda can unlock hidden value for your clients, with benefits such as:



Increased cash flows

Improved revenue from circular products, lower costs through circular sourcing or efficiency measures, and reduced capital expenditure



Enhanced access to capital

Better access to capital sources at more favourable terms



Employer of choice

Increase in attractiveness for recruiting and retention of high potentials



Reputational improvement

Positive image in the eyes of existing and prospective investors, business partners and customers due to the circular efforts



Competitive differentiator

Demonstration of industry leadership, benefit to society, and long-term competitive advantage over peers

04

ESG tech & data challenge

ESG and Technology

Ambition



VS.

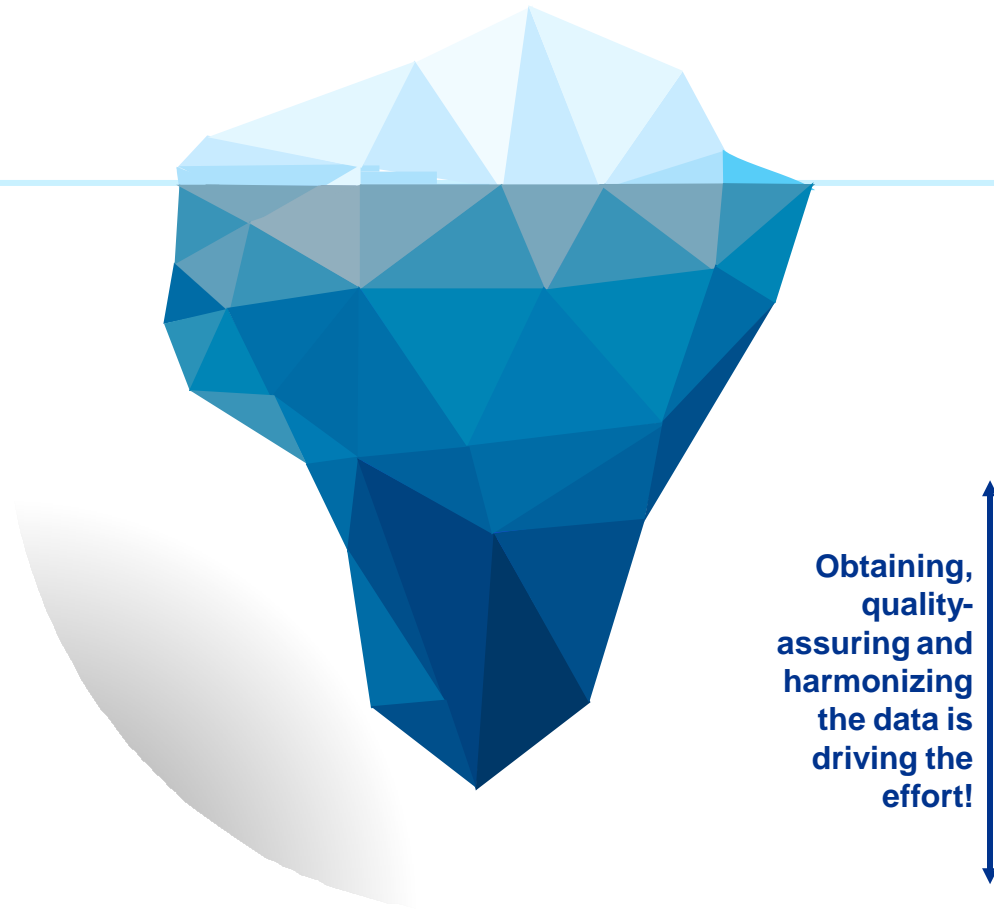
Reality



- ✓ Single point of truth for ESG data
- ✓ Integrated financial and non-financial reporting
- ✓ Automated processes

- ✗ Dispersed or unknown data sources
- ✗ Excel-driven reporting
- ✗ Manual processes
- ✗ Poor data quality

ESG Reporting is much more than a ESG report tool or dashboard



Disclosure

"Last mile" of reporting: Assembling single KPIs from data warehouse to integrate into a glossy, (printed?) year-end report for investors and stakeholders.



Planning, Reporting & Analysis

Many BI tools from countless suppliers allow to build dashboards, analytic reports or planning applications.



Processes, Collaboration, Governance

For data collection, reconciliation and handling of unstructured information, flexible applications have to be provided.



(Financial) Consolidation

Financial consolidation systems and processes are usually well-established in large organizations. These can be leveraged also for data collection of ESG data.



KPI Harmonization & Calculation

ESG data is rarely well-structured and the raw source data is of poor quality. Data has to be organized, structured, harmonized and quality-assured in a suitable environment.



Data Storage

Similar to financial data warehouses, ESG KPIs have to be stored and provided to the stakeholders in designated data marts.



Data Integration

Unlike for financial data, 95% of ESG information comes from heterogenous data sources, most likely not SAP. These sources have to be connected and automatic/auditable interfaces established.



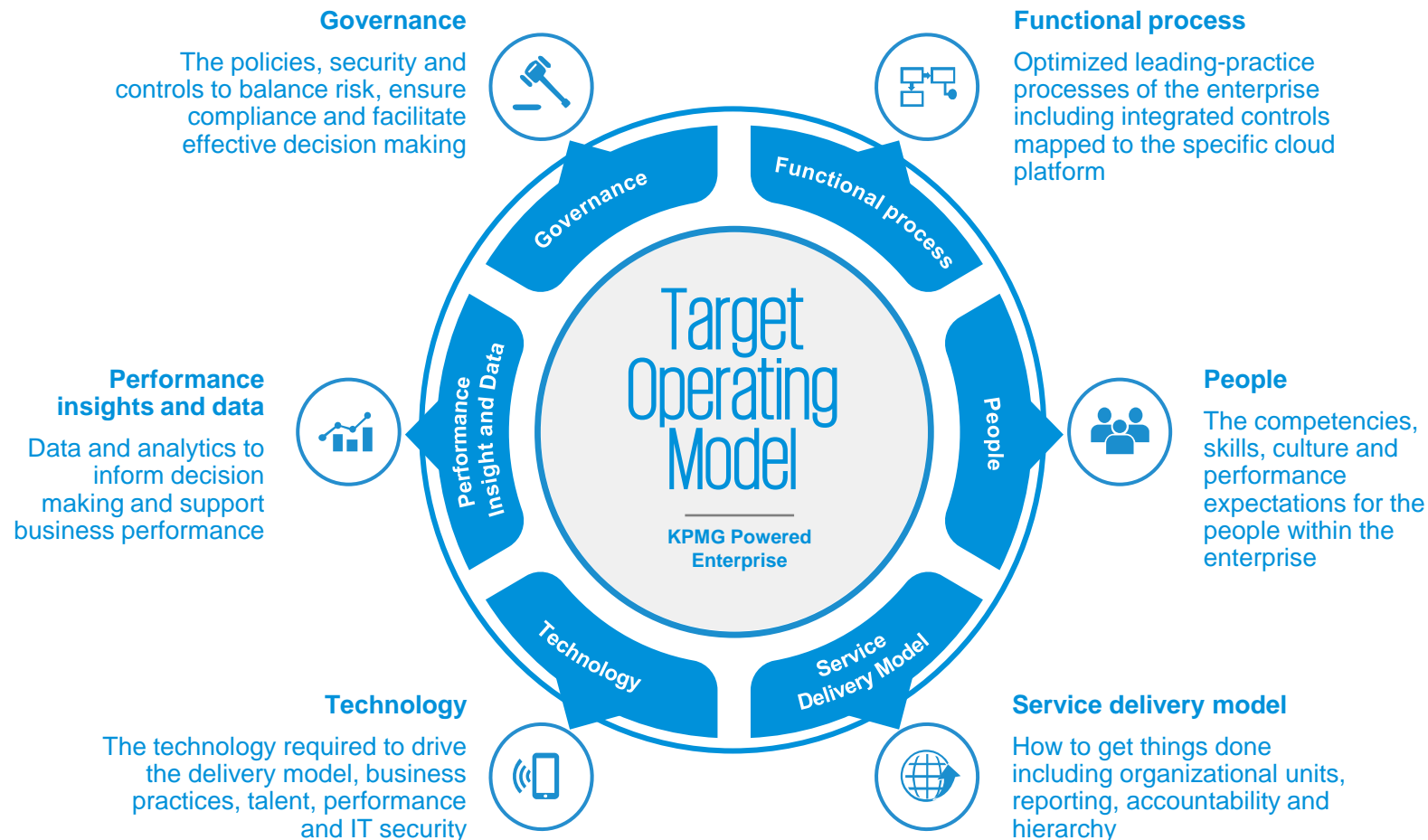
Data Sources & External Data

ESG Reporting asks for various external data such as ESG ratings or statical emissions data which has to be integrated into the internal data sources for KPI calculations or risk metrics.

05

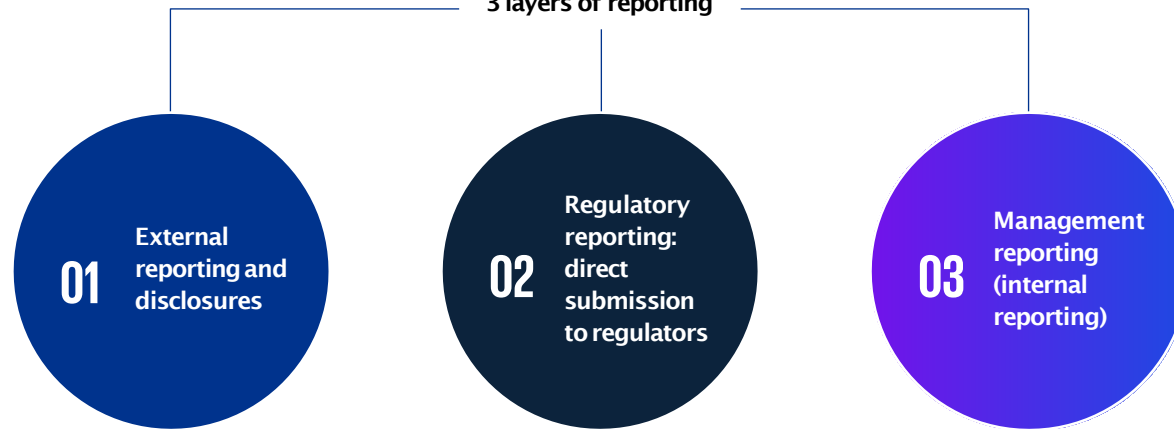
KPMG's Powered Sustainability on Microsoft

ESG is more than producing a report....



KPMG Powered Sustainability

3 layers of reporting



01 External reporting and disclosures
Annual Report & Accounts (including TCFD report). Sustainability, ESG reports, information on company's websites and product information.

02 Regulatory reporting: direct submission to regulators
Inclusion of underlying assessments of material climate-related risks and transition pathways for regulatory bodies (e.g. 2021/2022 ICAAPs for Banks and Building Societies and the ORSA for Insurers).

03 Management reporting (internal reporting)
Management reporting that monitors the performance of the organization's net-zero targets to actuals and aligning to management performance and remuneration.

Target Operating Model and Technology

People & Culture



Delivery model



Process & Controls



Governance



Tech & Data



Powered Sustainability contains a number of accelerators that help ease the process of building an effective ESG capability. For example:



The assessment tools have pre-defined templates to determine which topics are material to you and what standards, frameworks and regulations to disclose.



Data tools that provide an audit trail for manually input data (often 50% of all source data) and consolidate thousands of data points to a manageable number for interrogation and reporting.



Carbon accounting calculators.

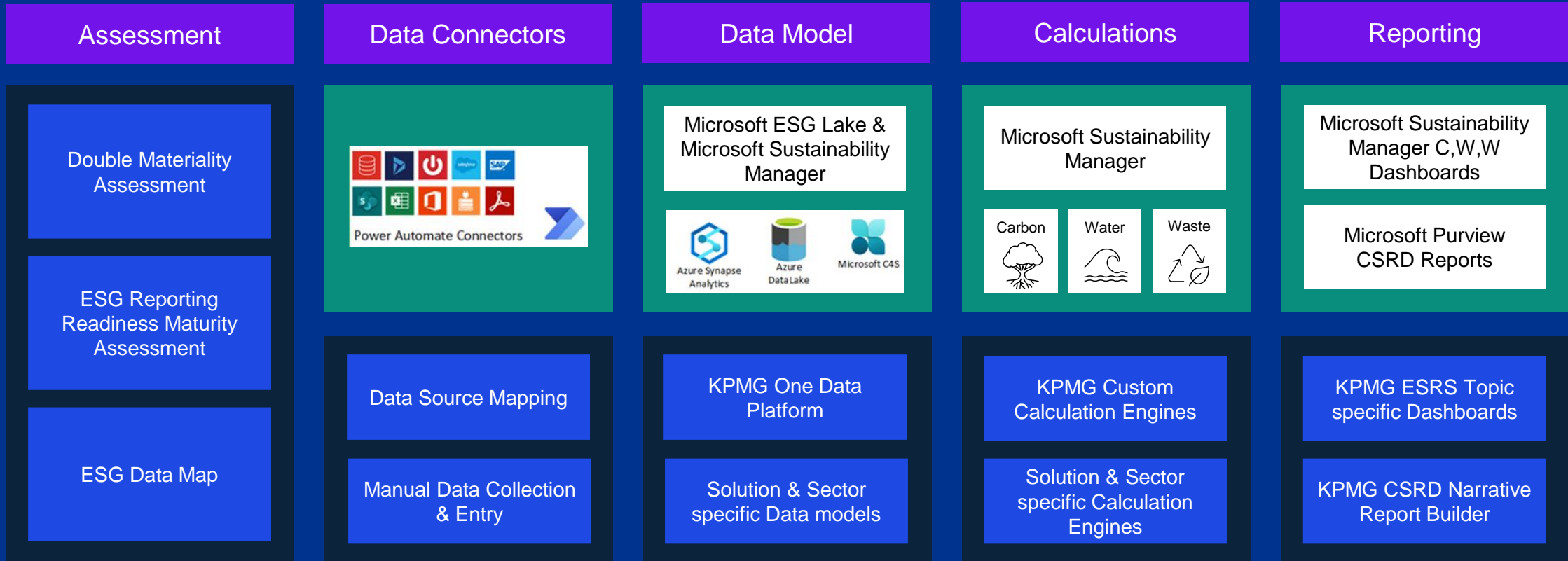


Reporting accelerators to create a timeline for regulatory, market and internal reporting and direct submission to regulators.

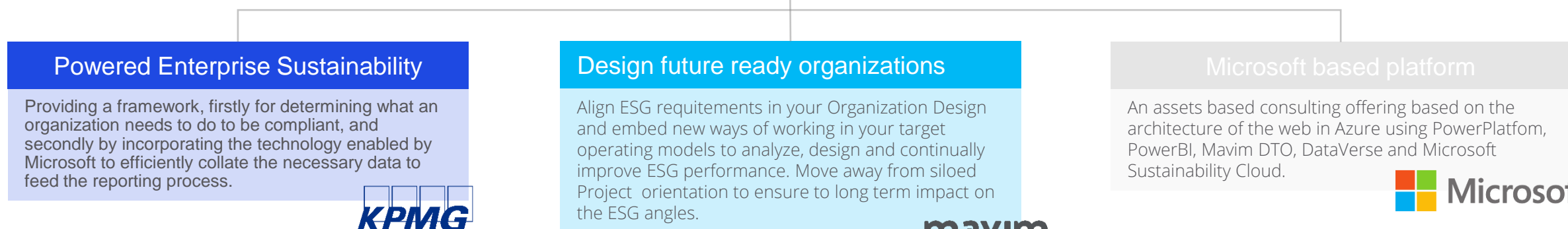
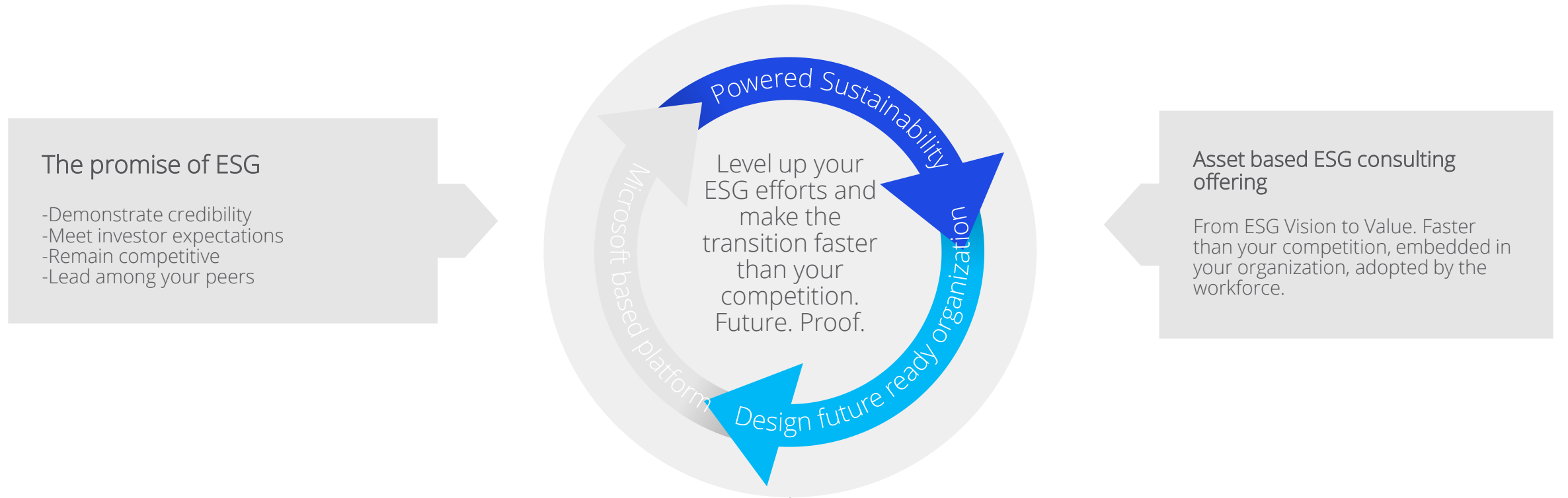
What is KPMG Powered Sustainability enabled Microsoft

Measure to Report TOM – Start with a model answer - Governance, Risk & Controls

ESG Reporting Manager – Program Management Power App



Sustainability by design KPMG – Mavim – Microsoft (concept)



Powered Enterprise Sustainability

Providing a framework, firstly for determining what an organization needs to do to be compliant, and secondly by incorporating the technology enabled by Microsoft to efficiently collate the necessary data to feed the reporting process.



Design future ready organizations

Align ESG requirements in your Organization Design and embed new ways of working in your target operating models to analyze, design and continually improve ESG performance. Move away from siloed Project orientation to ensure to long term impact on the ESG angles.



Microsoft based platform

An assets based consulting offering based on the architecture of the web in Azure using PowerPlatform, PowerBI, Mavim DTO, DataVerse and Microsoft Sustainability Cloud.



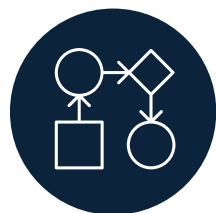
Sustainability by design KPMG – Mavim – Microsoft (concept)

The ability to start with a model answer to sustainability reporting. A framework for the three key layers of reporting – external, regulatory and internal (management). Technology to provide double materiality assessment, maturity assessment and a detailed sustainability data map. Leading sustainability reporting practice, validated with tested real-world usability. A platform to help evolve to meet changing needs and regulations. Design your Organization with new ways of working, new value streams and connect the SGD goals, objectives and requirements to be able to continually improve your maturity rating.

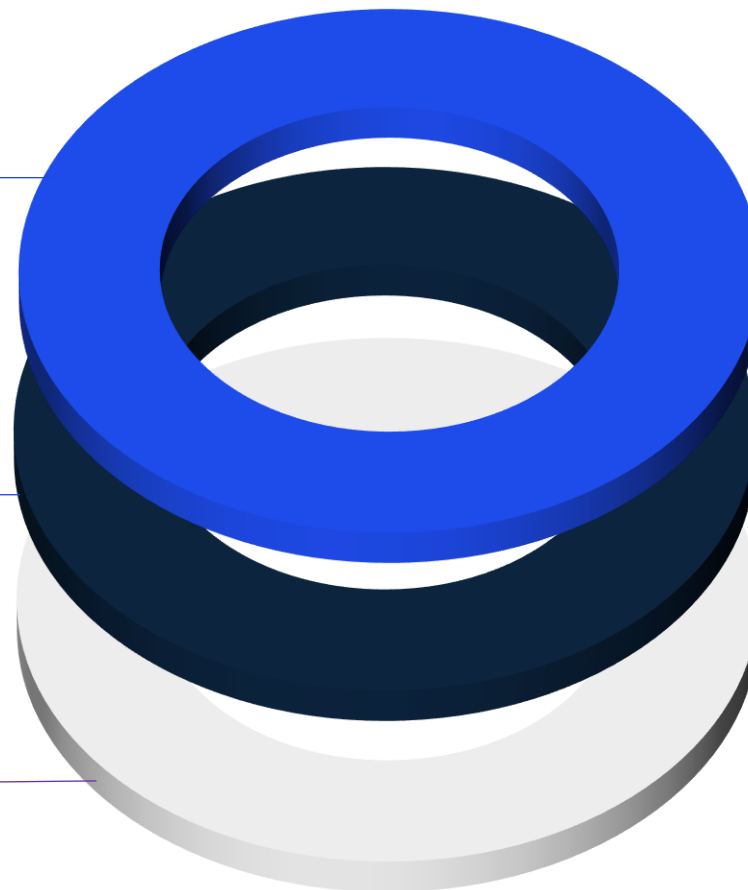
Powered Sustainability
ESG Assessment and Maturity
Reporting PowerApps + End to end ESG
reporting and data platform



**Organization Design
& Operating Model**
Value streams
Customer Journeys
End to End processes
IT Architecture



**Microsoft Technology
stack**
Sustainability Cloud





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