

ESG is here to stay



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Document Classification: KPMG Public

## 01 What is ESG?



### **ESG** is the future

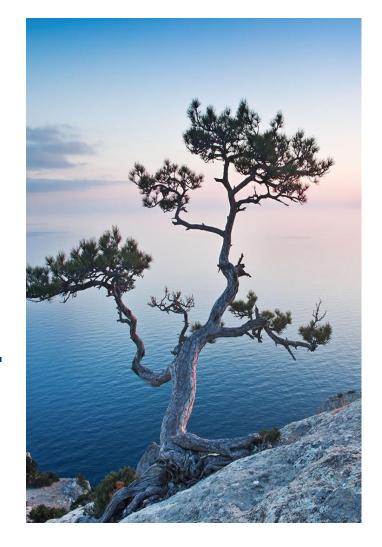
ESG is a critical design principle for the organization of the future.

### **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

#### **Environment**

Our impact on the planet

#### Social

Business impact on its employees, customers, and the community

#### Governance

**Business Leadership & Structure** 

Climate change	Natural resources	Pollution & Waste	Human capital	Product stewardship	Stakeholder management	Corporate leadership	Corporate behavior	Finance & reporting
Decarbonization	Biodiversity	Hazardous materials	Health & Safety	Product durability	Quality of stakeholder satisfaction	Transparency & responsibility	Ethics & integrity	Sustainable Finance
Climate risk	Water scarcity	Packaging materials	Diversity & equal opportunities	Product safety	Societal dialogue	Executive pay	Anti-corruption	ESG Ratings & - Indices
Climate change adaption	Land degradation & deforestation	Electronic waste	Fair wages	Data privacy & safety	Engagement in (international) partnerships	Sustainable innovation	Antitrust	Non Financial reporting standards



















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

96%

Share of G250 companies report on ESG matters

80%

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



 Long-term sustainability and resilience are at the heart of

the C-Suite agenda.

- Consistently clients tell us that ESG is a top 5 board risk item.
- Clients also want training and insights as to how they sit relative to their peers.



#### Resilio





 The transformation to the New Reality is an unprecedented opportunity to embed ESG at the core of organisational purpose and operations.

and highlighted the value of

resilience over efficiency.







 If a business does not make a sustainable profit, its value will be negatively affected.



#### **Regulation**

- Regulators and standard setters are helping to drive change and mitigate sustainability risks to companies and customers through new and expanded requirements.
- Steps are being taken to harmonise and mandate reporting of climate-related financial disclosures across jurisdictions and industries.

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 laggers 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



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## ESG tech & data challenge



## **ESG and Technology**

### **Ambition**



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

## Reality

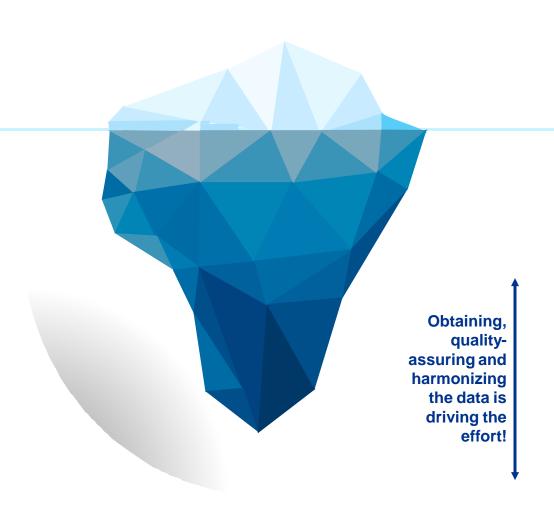


- Dispersed or unknown data sources
- **Excel-driven reporting**
- Manual processes
- Poor data quality



VS.

## 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?) vear-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.

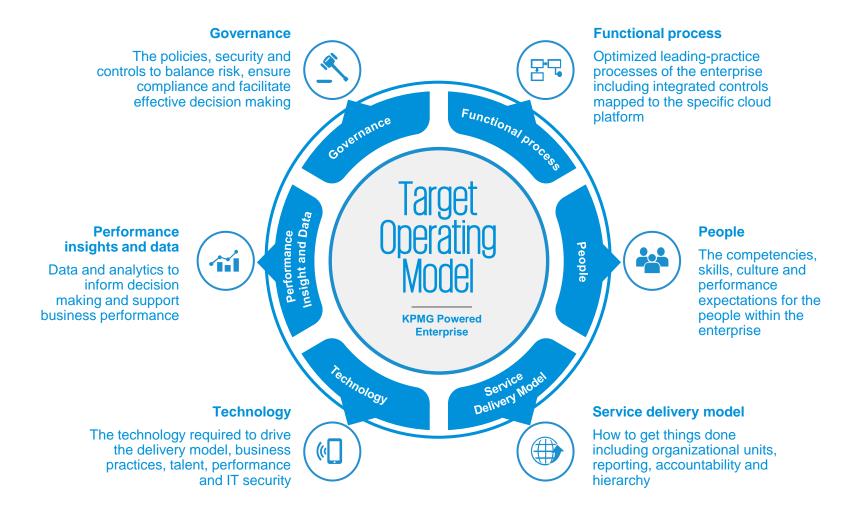


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# KPMG's Powered Sustainability on Microsoft



## ESG is more than producing a report....





## **KPMG Powered Sustainability**

External reporting and disclosures

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

Regulatory reporting: direct submission to regulators

3 layers of reporting

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).

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.

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.



**People & Culture** 

**Delivery model** 

**Process & Controls** 

Governance

Tech & Data











## 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

**Assessment** 

Double Materiality
Assessment

ESG Reporting Readiness Maturity Assessment

**ESG Data Map** 

**Data Connectors** 



Manual Data Collection & Entry

**Data Source Mapping** 

Data Model

Microsoft ESG Lake & Microsoft Sustainability Manager



KPMG One Data Platform

Solution & Sector specific Data models

Calculations

Microsoft Sustainability
Manager







Reporting

Microsoft Sustainability Manager C,W,W Dashboards

Microsoft Purview CSRD Reports

KPMG Custom
Calculation Engines

Solution & Sector specific Calculation Engines

KPMG ESRS Topic specific Dashboards

KPMG CSRD Narrative Report Builder



## Sustainability by design KPMG – Mavim – Microsoft (concept)

#### The promise of ESG

- -Demonstrate credibility
- -Meet investor expectations
- -Remain competitive
- -Lead among your peers



#### Asset based ESG consulting offering

From ESG Vision to Value, Faster than your competition, embedded in your organization, adopted by the workforce.

#### 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 requitements 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.

change it

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



## 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 requitements to be able to continually improve your maturity rating.

#### **Powered Sustainability ESG** Assessment and Maturity KPMG Reporting PowerApps + End to end ESG reporting and data platform **Organization Design** mavim & Operating Model change it Value streams **Customer Journeys** End to End processes IT Architecture Microsoft Microsoft Technology stack Sustainability Cloud



