What is Environment, Social, Governance (ESG)?

ESG refers to a framework to integrate environmental, social and governance risks and opportunities into a firm’s strategy to build long-term financial sustainability and value creation. In other words, ESG strategies can help companies achieve long-term sustainability, drive economic vibrancy and deliver long-term value through effective engagement with all stakeholders.

Why is ESG important?

- There is an increased emphasis on the management of ESG related policies and practices from stakeholders such as investors, employees and customers.
- Investors wanting companies to be transparent about their ESG policies and to be held accountable.
- COVID-19 has increased awareness on a company’s response to ESG risks.
- Increased focus by investors on ESG when making investing decisions.

ESG critical components

Environmental

Considers how a company acts in its role as a steward of nature, such as energy use, recycling practices, pollution, and natural resource conversation. The criteria can also be used to assess environmental risks and how the company is managing them.

Social

Examines how well a company manages relationships with employees, suppliers, customers, and the community.

Governance

Is concerned with a company’s leadership, internal controls, executive pay, audits, and shareholder rights.
ESG reporting is critical to helping you demonstrate credibility with key stakeholders, meet investor expectations, and lead among your peers.

The KPMG Approach

The KPMG approach is collaborative, engaging your team of cross-functional professionals and leaders to align and own ESG goals.*

PHASE 1
Level-setting and understanding

PHASE 2
Strategy development and gap analyses

PHASE 3
Implementation

PHASE 4
Measurement and reporting

PHASE 5
Assurance

The role of the auditor in assurance

— Auditors are independent—serving and protecting the capital markets—and skeptical, bringing systems of quality control, experience in evaluating internal systems for processing data, and credible reporting methods.

— Auditors are experienced in evaluating whether reported data provides reliability, comparability, and relevance. The auditor evaluates whether the company’s criteria for the measurement of ESG metrics are reasonable and in accordance with standards and/or internally developed framework. Auditors are not offering an opinion on whether it’s the right data to report.

— The auditor reviews whether the metrics have been prepared in accordance with criteria that has either been developed by an external standards setting body or by the company itself. Based on extensive experience, auditors are able to objectively highlight gaps in the process for collection and preparation of data whereby disciplined and rigorous policies and procedures may not be consistently followed throughout the organization.

As you focus on delivering long-term value to all your stakeholders, KPMG is committed to joining you on your ESG and impact journey by leveraging our multidisciplinary expertise, global network, and proud audit culture rooted in independence, integrity, and quality to effectively devise and execute a strategy fit for your business, industry, and stakeholders.

In particular, external assurance of your ESG reporting is critical to helping you demonstrate your commitment to rigor, transparency and reliability to key stakeholders, meet investor expectations, and lead among your peers.

* If KPMG is engaged as the auditor or the ESG assurance provider, roles that would require that we maintain independence in accordance with AICPA standards, we cannot also be engaged to perform some of the services described herein.
Understanding your needs

Asset Management Services

Effectiveness with your ability to better manage risks and respond to changing regulation and uncover opportunities for competitive advantage is key in the current risk and regulatory landscape. The rise of responsible investment, ethical use of technology to predict risk, climate change tail risk for insurers, and new portfolio strategies for asset managers will shape the future of finance.

Services

Strategy, Governance and Operations*

- Gap analysis and readiness analysis annual ESG report
- Materiality assessment
- Measurement methodology by product
- Measurement and management policies and procedures relative to best practices and/or industry frameworks (e.g., GRI, SASB, IRIS+, IFC Principles, etc.)
- Annual ESG report

Execution*

- Understanding and modeling ESG thesis as part of investment due diligence
- Procedures over reliability of ESG KPI data provided
- Design and implementation of post ownership GHG emission strategy and policies

Accountability

- Annual assurance at portfolio company and fund level
  - Over key performance metrics
  - Over estimated environmental and social impact achieved as determined by ESG impact measurement methodology (e.g., overall 10% decrease in carbon emissions)
  - Over process of ESG management and measurement activities

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Impact to you

- Demonstrate commitment to all stakeholders
- Accountability and credibility
- Synergize current investment to maximize efficiency opportunity, and risk mitigation
- Measure progress towards strategic ESG impact initiatives
- Establishing processes and protocols
- Right experience and information at the right time
- Impact is integrated into ownership
- Clarity of metric definitions and readiness for assurance
- Efficiency, objectivity and reliability in the overall data collection and reporting process
- Effective strategy for fulfilling decarbonization and net zero commitments
Contact us

For more information about ESG and KPMG services, please contact:

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Some of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.