



# ESG Reporting and Assurance

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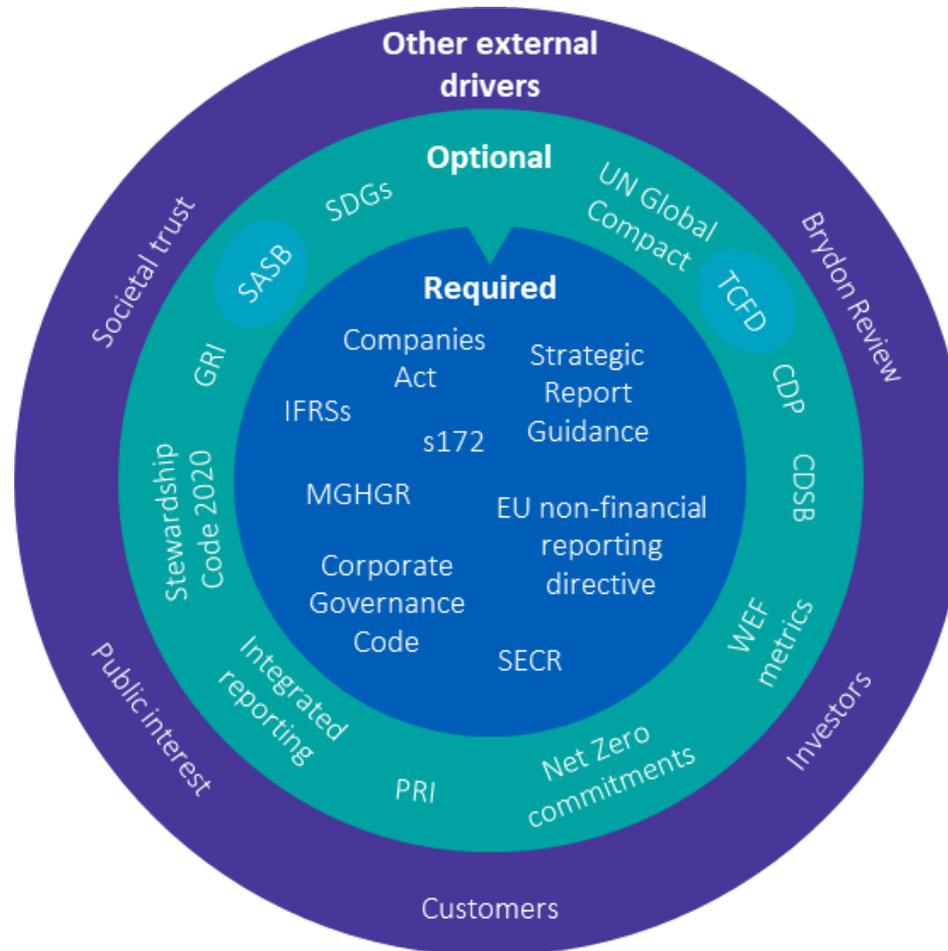
# Current ESG Reporting landscape



# What is ESG reporting?

Resilience reporting...

Relevant for providers of financial capital...



...or Responsibility reporting

...or relevant for all stakeholders

# Meaningful climate disclosures

## What have investors asked for?



“We are asking companies to disclose a plan for how their business model will be compatible with a net zero economy... We strongly

support moving to a single global standard, which will enable investors to make more informed decisions about how to achieve durable long-term returns... (While the world moves towards a single standard, BlackRock continues to endorse TCFD- and SASB-aligned reporting.)”

**Larry Fink, BlackRock**  
January 2021

## What are companies currently doing?

**40%** of global companies acknowledge the financial risks of climate change

**1 in 5 companies** report climate risk in line with **TCFD**

A **majority** of companies worldwide now have targets in place to reduce their carbon emissions

## What's in the pipeline?

**TCFD-aligned disclosures are increasingly being mandated** or strongly encouraged by regulators – e.g. EU NFRD, FRC Climate Thematic

Possible further international progress with COP26 on the horizon

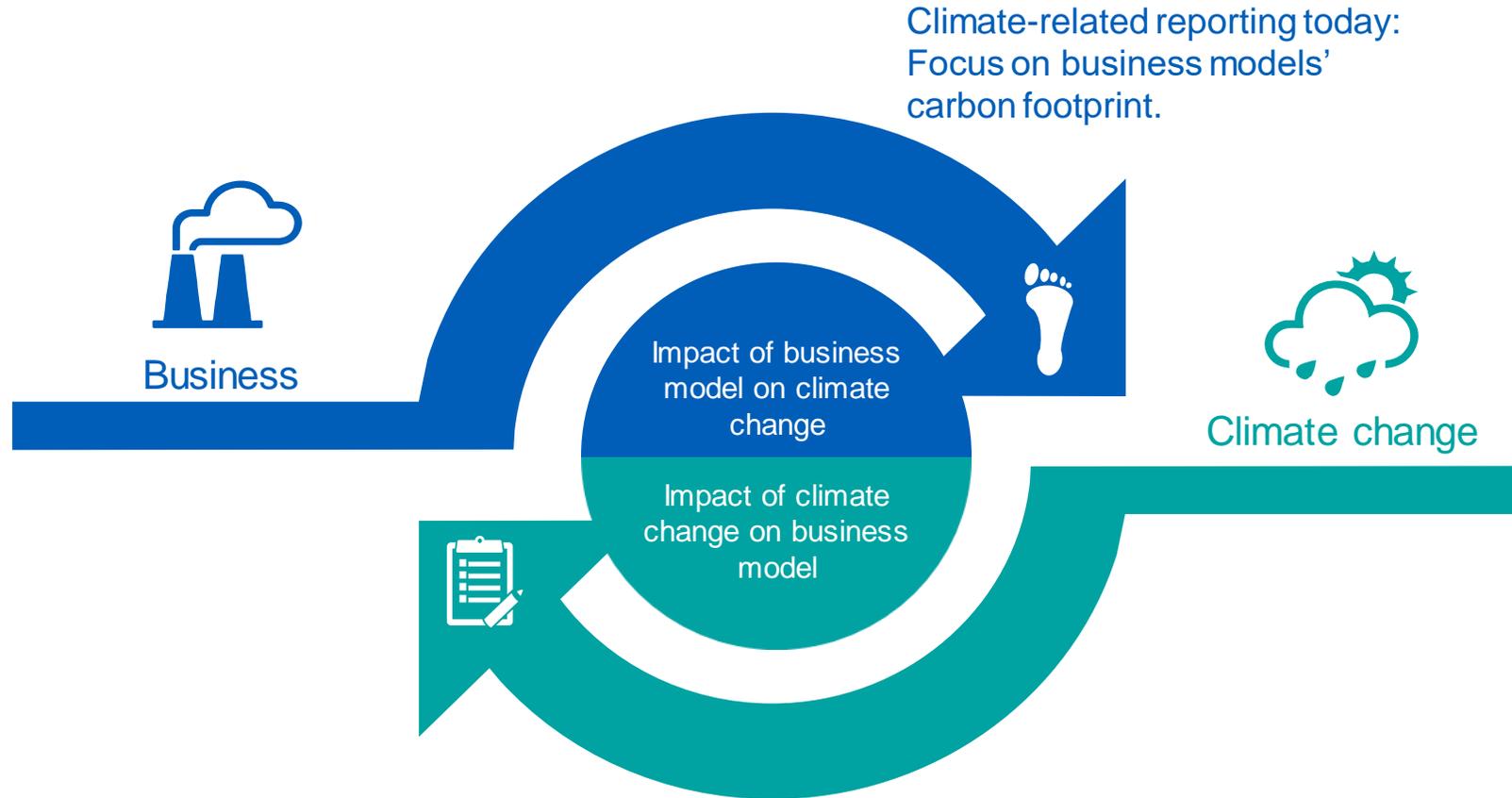
BlackRock Letter to CEOs, January 2021 <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

KPMG Survey of Sustainability Reporting 2020 <https://home.kpmg/xx/en/home/insights/2020/11/the-time-has-come-survey-of-sustainability-reporting.html>



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# Climate-related Financial Disclosures



# TCFD Recommendations in more detail

 <b>Governance</b>	 <b>Strategy</b>	 <b>Risk Management</b>	 <b>Metrics and Targets</b>
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p><b>Recommended Disclosures</b></p> <ul style="list-style-type: none"> <li>a. Describe the board's oversight of climate-related risks and opportunities.</li> <li>b. Describe management's role in assessing and managing climate-related risks and opportunities.</li> </ul>	<p><b>Recommended Disclosures</b></p> <ul style="list-style-type: none"> <li>a. Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long term.</li> <li>b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</li> <li>c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</li> </ul>	<p><b>Recommended Disclosures</b></p> <ul style="list-style-type: none"> <li>a. Describe the organization's processes for identifying and assessing climate-related risks.</li> <li>b. Describe the organization's processes for managing climate-related risks.</li> <li>c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</li> </ul>	<p><b>Recommended Disclosures</b></p> <ul style="list-style-type: none"> <li>a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</li> <li>b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</li> <li>c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</li> </ul>



# ESG assurance



# Data quality and processes



“Although many non-financial disclosures are important, the disclosure of accurate climate-related data is a particular problem for investors.”

**APG**, December 2020



“Companies need time to establish systems and controls for collecting [sustainability] data and these will evolve as the world of sustainability reporting also evolves.”

**BCI**, December 2020

## What are the issues?

- Data ‘arms race’: Largest data budgets often get best ESG ratings
- Availability/cost of obtaining data is often a hurdle for companies, particularly those with smaller budgets
- Absence of mandatory disclosure or standardisation raises issues of consistency and cost vs benefit

## What can companies do?

- Add ESG expertise at senior management and board level
- Strengthen the internal control environment

APG Asset Management and British Columbia Investment Management responses to the IFRS Foundation Sustainability Reporting Consultation, December 2020  
<https://www.ifrs.org/projects/work-plan/sustainability-reporting/comment-letters-projects/consultation-paper-and-comment-letters/#comment-letters>



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# Assurance

## What have investors asked for?

THE  
INVESTMENT  
ASSOCIATION

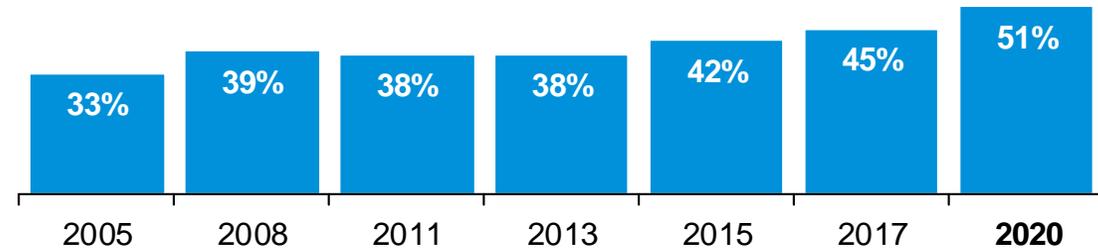
“The goal should be to create standards that are designed to be assurable and will ultimately allow for the audit of sustainability information. IA members

do not believe that the standards should be subject to mandatory audit at this stage. Nonetheless, in the long run, assurance should be the end target.”

**The Investment Association (UK)**  
December 2020

## What are companies currently doing?

### Growth in independent assurance of sustainability information: 2005-2020



Base: 3,543 N100 companies that report on CR, 233 G250 companies that report on CR  
Source: KPMG Survey of Sustainability Reporting 2020

Third party assurance of sustainability information is **now a majority business practice worldwide**

**In the UK, 61% of companies** invested in third party assurance (95% limited assurance)

The Investment Association response to the IFRS Foundation Sustainability Reporting Consultation, December 2020  
<https://www.ifrs.org/projects/work-plan/sustainability-reporting/comment-letters-projects/consultation-paper-and-comment-letters/#comment-letters>

KPMG Survey of Sustainability Reporting, November 2020 *ibid.*



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# Conclusions



# Key priorities for this year end and beyond

01

Make sure you have board level ownership, and the right teams involved

02

Understand what is material for your stakeholders, and what level of maturity you want to achieve

03

Ensure you have consistency in front and back half

04

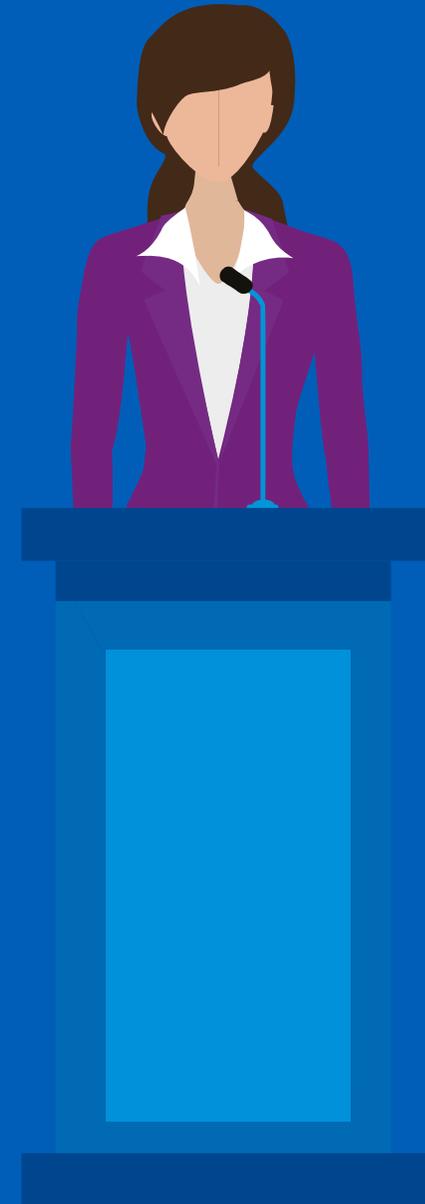
Understand your investor's data requirements and sources of information

05

Get a plan in place to achieve TCFD compliance

06

Keep abreast of global framework alignment





# Q&A and Thank You





[kpmg.com/uk](https://kpmg.com/uk)

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