Total global ESG fund assets under management grew 37% in 2017 to $445 billion from 2016. How would you improve your ESG performance to attract investors in light of growing investors’ demand for ESG information?

A company’s ESG performance can be under intense public and media scrutiny from time to time. Can you visualise how bad an impact can be if a company does not manage reputational risks properly?

The green bond market is forecast to grow to $1 trillion annually by the early 2020s, with China anticipated to account for 40%. Are you ready to capture the opportunity?

ESG risks?
Eight of the top ten global risks are ESG-related, as identified by the World Economic Forum in 2018. Have you assessed your ESG risks in your enterprise risk management?

ESG reporting compliance?
The Hong Kong Stock Exchange (HKEX) has updated the ESG reporting guidance and FAQs in Nov 2018. Does your current ESG reporting practice comply with the latest reporting requirements?

ESG ratings/indices?
Investors are using ESG ratings to screen out assets with poor ESG performance. How can you improve your company’s ESG ratings and attract more investors?

Why is managing Environmental, Social and Governance (ESG) issues relevant to your business?
ESG Development Road Map - From Compliance to Integration

Stage One: Compliance
- Comply with ESG disclosure requirements
- Enhance stakeholders' awareness of ESG matters

Stage Two: Integration of ESG into Core Business Process
- Comply with ESG regulations and manage reputational risk
- Increase efficiency of business operations through ESG initiatives

Stage Three and beyond: Strategic Integration
- Integrate ESG issues into core business strategies
- Achieve a leading position in driving purposeful business

Meet regulatory requirements
- Limited ESG knowledge and expertise among staff and management
- Significance of ESG impacts on business not considered
- ESG perceived solely as a marketing/public relation tool
- Lack of support from investors/shareholders and customers

From top down, ensure regulatory requirements are communicated throughout to ensure compliance; from bottom up, refine management practice and procedures
- Failure of the Board and/or management to identify material ESG issues
- ESG management mechanism not fully in place
- Lack of systematic approach to monitoring ESG performance
- Lack of ESG risk management system
- Missing opportunities to improve operational efficiency
- Uncertainty about potential ESG impacts on the business within the next five years
- Long payback period of investment
- Low return on investment
- Limited ESG knowledge and expertise among staff and management
- Significance of ESG impacts on business not considered
- ESG perceived solely as a marketing/public relation tool
- Lack of support from investors/shareholders and customers

Establish a blueprint for sustainable development strategy; extend ESG considerations in the value chain
- Escalate ESG as part of the strategic decision-making considerations at the Board level
- Enhance the Board’s communication on ESG issues with investors/shareholders
- Develop a purposeful culture
- Articulate the value proposition of ESG
- Establish an independent ESG committee
- Enhance diversification of the Board by including members with ESG expertise
- Consider ESG impacts in the design and development of new products and services
- Partner with suppliers that align with the ESG strategy
- Anticipate and forecast the financial implications due to potential ESG impacts in the near future
- Systematically identify significant ESG matters taking into broader considerations from the Board of Directors, investors, external stakeholders, etc.
- Capacity building on ESG

Key barriers and pain points
- Unclear ESG expectations within the company
- Long payback period of investment
- Low return on investment

Supplements needed
- Capacity building on ESG
- Support from senior management by including ESG as an agenda item in the Board meetings
- Improve/Establish an ESG management system
- Enhance diversification of management by including members with ESG expertise
- Integrate ESG into business operations
- Establish effective communication with stakeholders on ESG matters
- Establish a framework to systematically identify significant ESG matters considering the nature of business and industry trends
- Establish ESG targets and respective KPIs for performance monitoring
- Integrate ESG considerations into the overall risk management mechanism
- Identify and manage ESG risks in the supply chain
- Establish an ESG information system
- Improve the capability to monitor ESG performance
- Capacity building on ESG

KPMG support: Compliance checklist
- KPMG support: ESG reporting/management advisory
- KPMG support: ESG strategy advisory (More details on the next page)
Seeking breakthroughs in long-term ESG development

Constituents of Dow Jones Sustainability Index (DJSI)
Independent ESG Committee
ESG Information System
Adoption of TCFD* Recommendations and Incorporation of SDGs** into ESG reporting
Green and Social Bonds
ESG Strategy
Stakeholder Engagement/Materiality Assessment
True Value/Social Return on Investment
ESG Targets
Supply Chain Management
Achieving expected sustainable development goals

* TCFD: Task Force on Climate-related Financial Disclosures
** SDGs: Sustainable Development Goals

Please contact KPMG Business Reporting and Sustainability Team for more information and quality service support at cnfmsustainability@kpmg.com