

Investors' demand?

Total global ESG fund assets under management grew 37% in 2017 to \$445 billion from 2016².

How would you improve your ESG performance to attract investors in light of growing investors' demand for ESG information?

ESG risks?

Eight of the top ten global risks are ESG-related, as identified by the World Economic Forum in 2018¹.

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 2018³.

Does your current ESG reporting practice comply with the latest reporting requirements?



Reputational risk?

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?

Opportunities?

The green bond market is forecast to grow to \$1 trillion annually by the early 2020s, with China anticipated to account for 40%⁴.

Are you ready to capture the opportunity?

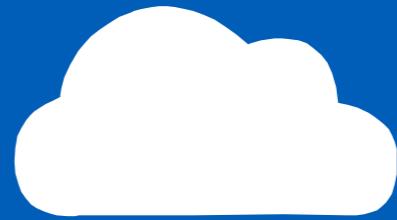
ESG ratings/indices?

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?

Source:

1. The Global Risks Report 2018, World Economic Forum, January 2018, <https://www.weforum.org/reports/the-global-risks-report-2018>
2. A Revolution Rising - From Low Chatter to Loud Roar, Goldman Sachs, April 2018 <https://www.goldmansachs.com/insights/pages/new-energy-landscape-folder/esg-revolution-rising/report.pdf>
3. How to prepare an ESG report?, The Hong Kong Stock Exchange, Nov 2018 <https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Environmental-Social-and-Governance/How-to-Prepare-an-ESG-Report/steps.pdf?la=en>
4. Financial Services Special Report: China's Green Finance Market, British Embassy Beijing, September 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/738876/China_Financial_Services_Special_Report - Green_Finance.pdf



ESG Development Road Map - From Compliance to Integration



Focus	Key barriers and pain points	Supplements needed
Meet regulatory requirements	<ul style="list-style-type: none"> 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 	<p>From top down, ensure regulatory requirements are communicated throughout to ensure compliance; from bottom up, refine management practice and procedures</p> <ul style="list-style-type: none"> 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 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
Enhance stakeholders' awareness of ESG matters	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
Integrate ESG issues into core business strategies	<ul style="list-style-type: none"> Lack of communication with the Board on ESG matters Lack of proper ESG governance system Lack of breakthroughs on ESG development in the long run 	<p>Establish a blueprint for sustainable development strategy; extend ESG considerations in the value chain</p> <ul style="list-style-type: none"> 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 Integrate ESG into the business strategy Develop green products and services Improve the capability to monitor ESG performance and targets

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



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