



## WHY – Why this topic may be relevant to you

### Increased reporting requirements are driven by regulations and stakeholder expectations:

The importance of ESG (Environmental, Social, and Governance) reporting (also known as Sustainability Reporting or Non-financial Reporting) is increasing due to raised scrutiny from stakeholders as well with regard to public relations activities.

Investors are looking for ESG disclosures to steer their investment decision-making. Effective reporting is necessary to tell the ESG narrative to investors and other stakeholders, comply with relevant disclosures, and strengthen reputation and value.

ESG considerations in supply chain management has attracted attention from businesses and stakeholders, as companies increasingly need to consider their impact on stakeholders and the environment.

Some examples of issues that clients may face in preparing ESG reports:



Challenges with producing key performance indicators (KPIs) due to ambiguities in their definitions and difficulties in retrieving information and metrics from corporate enterprise resource planning (ERP) systems; and



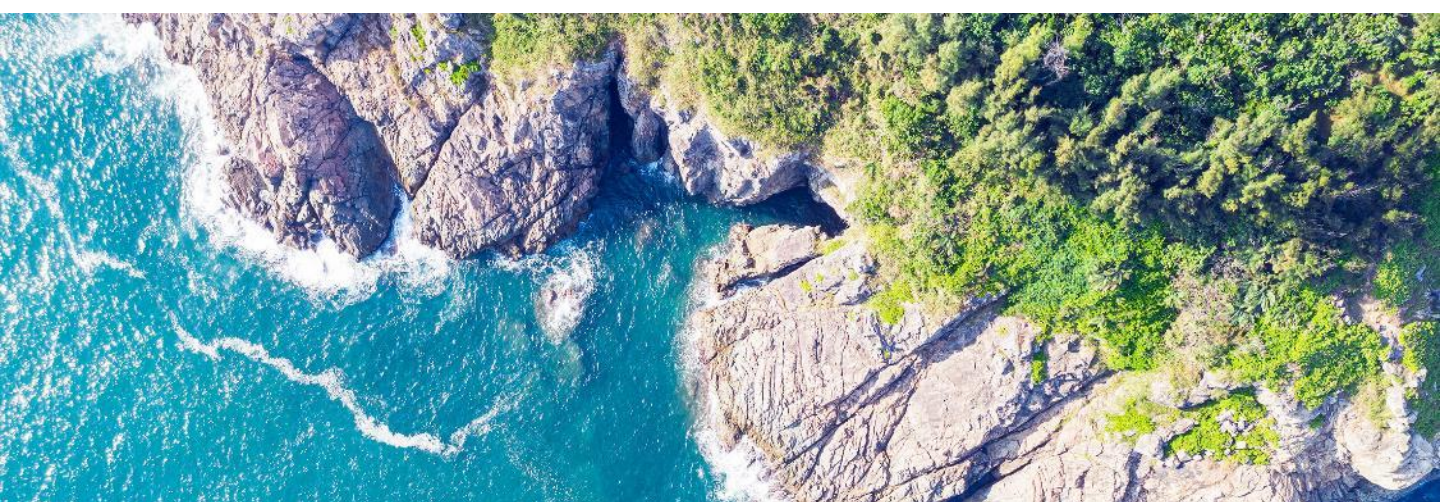
Systems and processes will require adjustments to meet the disclosure requirements.

### Benefits and potential consequences

Transparency regarding ESG-related KPIs helps clients' steering of internal ESG initiatives and benefits public perception.

Various jurisdictions have requirements for ESG Reporting. Non-compliance with reporting requirements may lead to reputational losses as well as considerable financial impacts.

If enterprises fail to comply with their legal obligations, administrative fines may be imposed. The nature of the sanctions and the fine amount will depend on the jurisdiction.





## WHAT – What the service is offering

At its core, ESG Reporting is the annual non-financial report issued by a company to document and report out to the market (such as capital markets, institutional shareholders, and key stakeholders) on the company's progress on achieving its ESG goals.

These reports are often based on one or more of the ESG regulations. Please refer to the contacts for advice about reporting requirements in specific jurisdictions.

KPMG can assist our clients with their ESG Reporting in a variety of ways and at different points in the client's reporting journey, as described in the How section.

We can offer functional and operative support to clients by assisting with:

01



### Effective Reporting, including:

training workshops, reporting materiality assessments, benchmarking, content identification and development, reporting structure and data requirements planning, and compliance reviews

02



### Standards Alignment, including:

framework selection guidance, gap assessments, and implementation support, for frameworks including stock exchange guidelines, GRI, TCFD, SASB, ISSB, WEF, <IR>, CDP and the UN SDGs.

03



### Data Quality, including:

designing appropriate metrics, preparing effective methodology statements, and improving the rigour or efficiency of the reporting process and relevant controls.

04



### Climate Accounting, including:

consideration of the impact of climate risks on recognition and measurement, disclosure expectations of the regulators, and accounting for carbon credits and offsets.

KPMG can also provide ESG Assurance services.



## HOW – How we deliver the service

KPMG can support clients at different stages in their ESG reporting process, according to client needs:





### Client requirement

### KPMG initial view

### KPMG approach

Understand the gaps to reporting requirements and maturity in comparison with peers.

Gap analysis and benchmarking is essential to understand the existing practices and plan the efforts and resources to effectively meet new requirements and enhance performance.

Analyse current status of reporting and conduct peer benchmarking to identify gaps to reporting requirements and good practice for consideration, supported by deep knowledge in ESG and reporting trends

Establish an ESG governance structure to oversee and manage the company's ESG performance.

Development of an effective ESG governance framework can help boards to ensure that ESG issues and opportunities are well-managed.

Review and recommend policies, systems and procedures for sustainability governance, including defined roles and responsibilities.

Assistance in stakeholder engagement.

How stakeholders' views and reasonable expectations are addressed and responded to is a focus of ESG reporting guidelines. Stakeholder engagement is a key part of materiality assessment.

Develop and execute structured stakeholder engagement including identification and prioritisation of key stakeholders and engagement to identify relevant issues from their perspective.

Assistance in conducting materiality assessment to identify and prioritise sustainability challenges & opportunities.

A robust materiality process will be useful for generation of ESG report content and global standards compliance, identifying risks & opportunities, development of ESG strategy and future trend-spotting, etc.

Align with the principles of applicable reporting guidelines; use a combination of approach including stakeholder questionnaires, interviews, materiality workshop, internal & external analysis, etc.

Provide assistance in data collection and monitoring.

Lack of robust data management systems for non-financial performance systems leads to incorrect representation of information and potential miscommunication on company's ESG performance.

Review data collection and monitoring systems to capture accurate data for ESG reporting in accordance with relevant reporting requirements.

Assistance in ESG report content development as per applicable reporting framework and enhance the report quality.

Key stakeholders are looking for a more holistic picture of how companies manage both the financial and non-financial resources to create long term value. Without an effective reporting strategy, a company will likely be managing and reporting data that is not relevant or material to business value.

A structured approach towards ESG reporting and data disclosure, building on existing internal initiatives, processes and using our KPMG proprietary tools and knowledge on latest global reporting trends.

Raise awareness on ESG trends and latest regulatory requirements and build capacity for key internal stakeholders.

Companies need to ensure its directors and management have relevant ESG expertise and experience to exercise ESG oversight and management.

Provide board training and ESG workshop.

Assistance in responding to ESG rating evaluations.

ESG rating criteria are a good guide for designing ESG strategies and reporting that addresses investors' concerns.

Provide insight into company's ESG scores which will help identify where the company performs well as well as prioritise the areas where the company should focus its efforts in the coming years.



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