

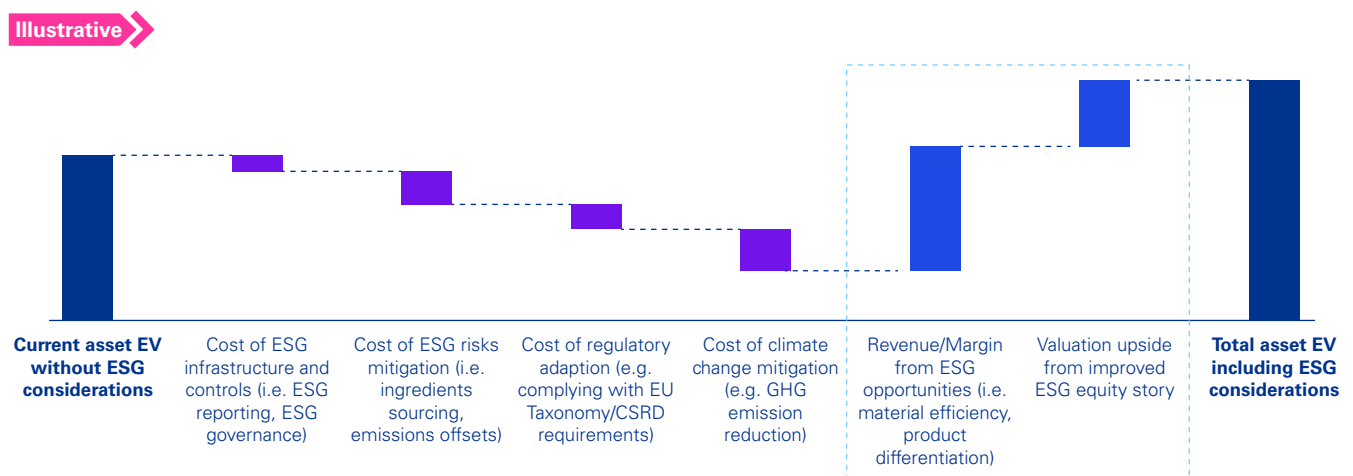
# ESG value creation

Helping you seize your own ESG-driven opportunities

KPMG professionals have observed active ESG management as a rapidly maturing driver for a firm’s business and capital markets performance. While sustainability-related measures have been key ingredients for employee satisfaction and marketing campaigns for decades, a company’s ESG performance is now closely linked to business and operating model implications. It is no longer about “doing something good” along the ordinary course of business but fundamentally changing what is considered the ordinary course of business.

Successful ESG management can help both preserve and enhance enterprise value. While measures to comply with more comprehensive regulatory requirements (ex. CSRD, EU Taxonomy, CSDD) are essential for keeping the license to operate, embedding strategic ESG measures in a firm’s core strategy and value creation roadmap is expected to become essential to secure sustainable growth.

**ESG value creation can be assisted by the KPMG Elevate platform which helps to identify, quantify, and implement high impact ESG measures.**



## Main challenges

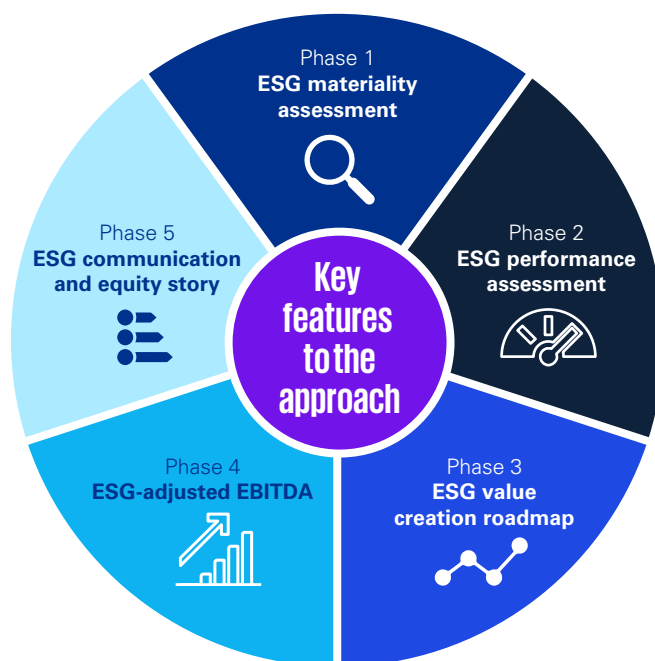
KPMG professionals support clients in overcoming several key ESG-related challenges:

- Lacking value perspective:** Building up required ESG reporting infrastructure and reacting to forced adjustments in business activities bind significant management resources. Thus, implementing incremental, opportunity-driven ESG measures requires clear business cases and efficient implementation planning.
- Diverging stakeholder interests:** ESG cuts across functional responsibilities and requires a broad internal stakeholder involvement. The breadth of potential strategic environmental, social, and governance measures requires a consistent and numbers-driven approach to management decision-making, which should also consider external stakeholders including customers, suppliers, and investors.
- Challenging impact quantification:** Seventy-one percent of respondents in the [KPMG 2022 EMA ESG Due Diligence Study](#) encounter difficulties in quantifying ESG findings. However, quantifying ESG impacts appears to be key for successful ESG management and is rapidly maturing. KPMG professionals can leverage a broad set of benchmarking data and have access to progressive and leading data providers. This allows them to quantify top- and bottom-line effects in high impact ESG fields for action in a robust way.

## How KPMG professionals can help:

Clients' ESG maturity and current challenges are the starting point for any ESG value creation work. Apart from a long-lasting track record in strategy and transformation programs, clients appreciate KPMG firms' strong global organization of ESG and sector professionals who can address their specific needs through the following value levers:

- **Product differentiation:** Helping to define your sustainability-related product attributes such as packaging, ingredients/ components, or certifications by assessing highest positive impact on customer perception, willingness to pay, and related investment requirements
- **Talent attraction, retention, and productivity:** Striving to reduce your hiring and onboarding costs as well as aiming to increase employee productivity by selecting highest impact employee measures
- **Decarbonization:** Striving to reduce your energy use and offsetting cost as well as positively impacting a firm's reputation by developing an efficient bundle of business and operating model adjustments
- **Sustainable supply chains:** Helping you avoid costs related to supply chain risks including human rights violations or geopolitical instabilities by providing transparency on risks, related financial implications, and assessing supply alternatives
- **Green financing:** Enhancing your financing conditions for loans and bonds by linking interest rates to a firm's sustainability performance and setting up active steering towards target achievement



## Key features to the approach

An ESG value creation approach should encompass five phases to help systematically evaluate clients' ESG status quo, assess existing and define incremental ambitions, and to develop, implement, and communicate ESG value creation potential.

### Phase 1: ESG materiality assessment

- Financial materiality: Analyze which material areas affect or will affect the company financially based on regulatory requirements
- Impact materiality: Analyze which material areas the company has an impact on the economy, the environment, or society based on regulatory requirements
- Strategic fields of action: Derive additional strategic fields of action and align assessment results with C-suite and stakeholders

### Phase 2: ESG performance assessment

- Maturity assessment: Identify ESG performance per ESG material area for baselining
- Peer Benchmarking: ESG score comparison with selected peers for derivation of improvement areas
- Ambition analysis: Definition of key ambitions per material area and scoring of ambitions based on maturity model

### Phase 3: ESG value creation roadmap

- Value creation hypothesis: Develop hypothesis based on ambitions in material areas
- Value creation analysis: Validate hypothesis to evaluate ESG-related risks and opportunities per lever
- Roadmap design: Identify necessary actions to turn hypothesis into real value

### Phase 4: ESG-adjusted EBITDA

- Quantified value creation analysis: Translate value creation hypothesis into P&L and balance sheet effects
- EBITDA implication: Consolidate effects of all measures to be able to calculate an ESG adjusted EBITDA
- Roadmap execution (optional): Manage project in roadmap execution

### Phase 5: ESG communication and equity story

- ESG story-lining: Formulate high level ESG equity story pillars
- ESG narratives: Back up ESG story-lining with qualitative and quantitative targets and achievements
- Communication: Prepare ESG communication roadmap for internal and external communication

# Contacts

To find out how KPMG ESG advisory professionals can add value to you and your organization, please speak with your local KPMG member firm contact by visiting [kpmg.com/esgcontacts](https://kpmg.com/esgcontacts) or by reaching out to one of the contacts below.

## KPMG ESG insights

For more information about how you can help your organization fulfill its purpose and achieve its ESG goals, check out and subscribe to ESG insights, which is an on-going subscription that allows you to receive articles, publications, webcasts and podcasts curated for ESG leaders.

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