

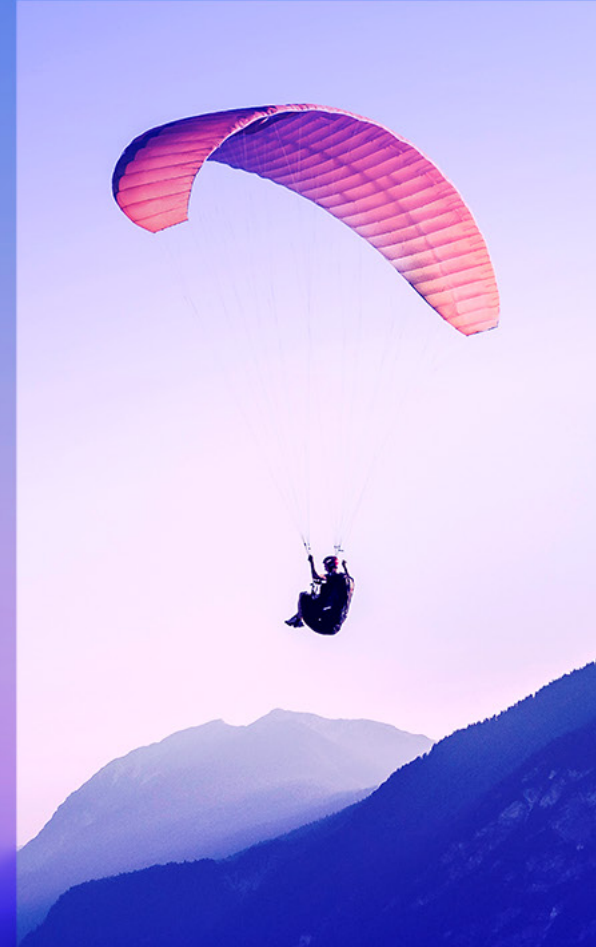


Your journey to net zero

8 February 2022

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home.kpmg/cds



Agenda



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Isle of Man

1. Why now?
2. How do you get there?
3. What next?
4. Questions

Why now?



What does ESG mean for different stakeholders?

An organisation must engage across their ecosystem of stakeholders to understand their priorities. Each stakeholder has a role to play and it is critical to involve each.



ESG is not a cost, it can be value enhancing

Capital markets perspective

2 - 5

...**reduction in basis points** for debt financing on products linked to ESG goals

71%

...of investors state that ESG ratings provide information **material to investment performance** – 65% of investors use ESG ratings at least once a week

7x

...**growth of ESG ETF** assets under management since 06/16, making up 1.7% of the ETF market

25

...out of 26 Morningstar's screened **ESG funds** which **outperformed** their broader, conventional market twins

M&A perspective

14%

...**higher EBIT multiple** in sustainability-driven acquisitions in recent times

76%

...of General Partners (GP) at Private Equity funds will increasingly use **ESG considerations for value creation**

32%

...of GPs paid a **higher deal price** based on outcome of ESG analysis, as the market for sustainably perceived assets is still considerably reduced

54%

...of GPs often or occasionally **reduce bid price or eventually abandon transactions** based on ESG criteria

Why now? Status of ESG in our markets

Do you have a defined ESG plan for your business?

● No: not started ● No: we are in the process of putting a plan together ● Yes

None (I am self-employed)



1-5 employees



6-10 employees



11-50 employees



51-100 employees



101-250 employees



More than 250 employees



Has your business made a net zero greenhouse gas emissions commitment?

● No ● Yes: before 2030 ● Yes: before 2050

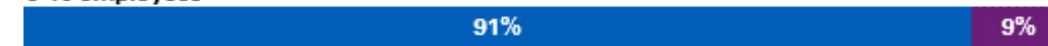
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101-250 employees



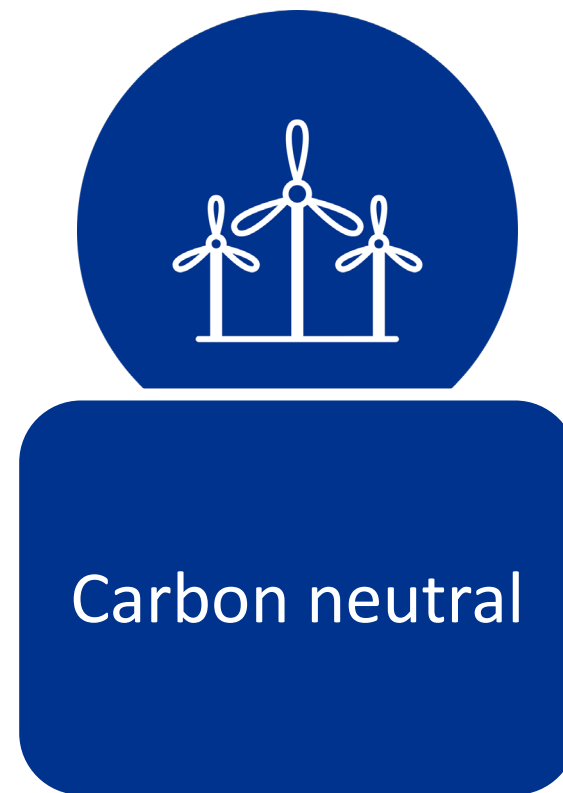
More than 250 employees



Jargon busting



V's



Initiatives to consider



- **Defines net zero** and produces guidance for corporates/investors on implementing plans
- **Reviews target submissions** which model out emissions in short / medium / long term and proposed action to reduce them
- **Approves targets** that have demonstrated they are consistent with government net zero policy (eg achieve a 80% GHG emission reduction by 2035 in order to be on track for 100% by 2050)
- KPMG commits to reduce absolute scopes 1, 2, and 3 GHG emissions 50% by 2030 from a 2019 base year.
- KPMG also commits to increase annual sourcing of renewable electricity from 50% in 2019 to 100% by 2030.
- KPMG has joined over 300 businesses leading the global transition to 100% renewable electricity.
- The objective is to speed up the global transition to zero carbon grids.

ESG Regulation

Crown Dependencies

- Guernsey requires climate impact on strategy and risk profile to be considered in the Code of Corporate Governance. Guernsey also has a Green Fund product for investments meeting certain green criteria.
- Jersey requires investment funds making certain sustainability claims to make additional disclosures.
- Isle of Man regulation in this area is currently under consideration.

UK / EU

- Pension funds, banks, insurers, asset managers (incl products), listed companies and large private companies are all in scope (subject to certain thresholds).
- Policies on approach to climate (or broader sustainability) in strategy and risk, with annual disclosures are required.
- UK currently climate focused, EU is sustainability focused
- Additional consultation on further regulation expected in 2022

SEC

- Consultation expected in March 2022
- Focus is expected to be on climate disclosures
- Scope is uncertain but expected to include banks, insurers, asset managers and listed companies.

Building your strategy

Understand the ESG landscape

- What pressures exist? Mandatory or Voluntary?
- What is your action time horizon? Competition?

Assess your ESG maturity and ambition

- Are you ready? Do you have buy-in from the top?
- Are you willing to commit funds to this?

Conduct materiality assessments

- What level do you go to?

Develop ESG strategy and strategic options

- Choose the right approach?
- Public or private?
- Adopt circular economy practices

Communicate a compelling ESG story



Our approach aligns to the UN SDG



Sustainability

Business Model

Transitioning the business model to one that ensures products/services meet sustainable needs today and tomorrow, creating and protecting long term value

Operating Model

Transitioning the current enterprise to one that ensures that the organisation is able to meet the sustainable needs of the business model today and tomorrow



Planet (E)

Energy & Emissions

Reducing energy consumption, transitioning to renewables sources and taking immediate action on emission production

Resource Circularity

Increasing the continual use of resources, eliminating waste and keeping products, equipment and infrastructure in use for longer



Ecology & Biodiversity

Reducing the ecological impact and impact on biodiversity from land and water use, to waste and pollution, to material and chemical consumption



People (S)

Workforce & Skills for the Future

Building the skills and experience across the workforce required to meet the needs for today and tomorrow

Diversity & Equality

Creating a diverse, inclusive and equitable environment both within the enterprise, and across suppliers and partners

Health & Safety

Providing access to non-occupational health and medical and reducing the incidences of work related injury



Prosperity (S)

Economic Contribution

Delivering economic benefit, maximising investments and returns, and providing/accessing sustainable capital

Social Contribution

Generating and delivering financial, and non-financial, societal and individual contribution

R&D & Innovation

Maximising investment in the development of existing, and innovation of new, products and services



Principles (G) (of Governance)

Risk & Opportunity Oversight

Delivering agile and effective identification, mitigation and compliance of principle material risks and opportunities affecting the enterprise

Ethical Behaviour

Operating an ethical and anti-corruption environment supported by responsible information management and practices

Purpose & Composition

Creating a clear purpose that creates long term sustainable value governed by a relevant, diverse and equitable body of representation

Aligned to current and emerging global standards on environmental, societal and governance measures

The route to net zero – KPMG's commitment

Delivering our Purpose: to inspire confidence and empower change



Reducing our impact on the environment to build a more sustainable and resilient future

Our commitments:

- Achieve net-zero carbon emissions by 2030
- Provide clear, comprehensive, high-quality information on the impacts of climate change
- Understand and improve our impact on nature and biodiversity



Creating a caring, inclusive and values-led culture for our people

Our commitments:

- Build an inclusive culture that values diversity
- Eliminate discrimination in respect of employment and occupation
- Empower women in the workplace, marketplace and community
- Protect the health of our people — both physically and mentally
- Develop a continuous learning culture
- Respect human rights



Driving purposeful business practices and good corporate citizenship

Our commitments:

- Act with clear purpose at all times
- Lead the profession in audit quality
- Drive a responsible tax practice
- Support education, lifelong learning and UNESCO's Global Education Coalition



Putting our Values at the heart of the way we do things

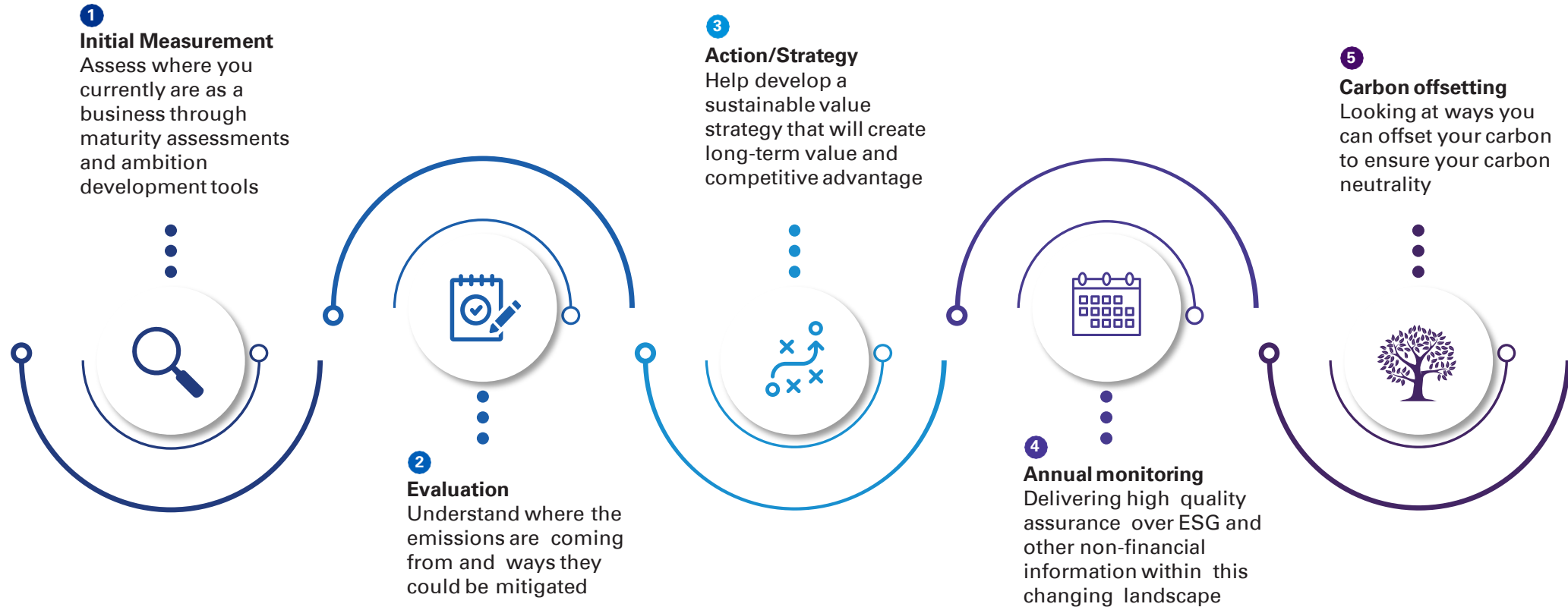
Our commitments:

- Act lawfully, ethically and in the public interest
- Work against corruption in all its forms, including extortion and bribery

How do you
get there?



Your route to net zero





1. Initial measurement

4. ESG is an integral part of our company's strategy.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
There is a clear board level vision for and ownership of ESG.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ESG is an integral part of our overall business strategy, purpose and values.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ESG is an integral part of our overall enterprise risk management strategy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

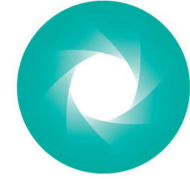
5. ESG is disclosed and communicated to all relevant stakeholders of our company.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We are clear on our ambition when it comes to the ESG agenda and we have a strong narrative in place.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have established clear ESG metrics and targets that have been made publicly available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have an ESG strategy that details how we manage our ESG risks and opportunities to create and sustain long-term value.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

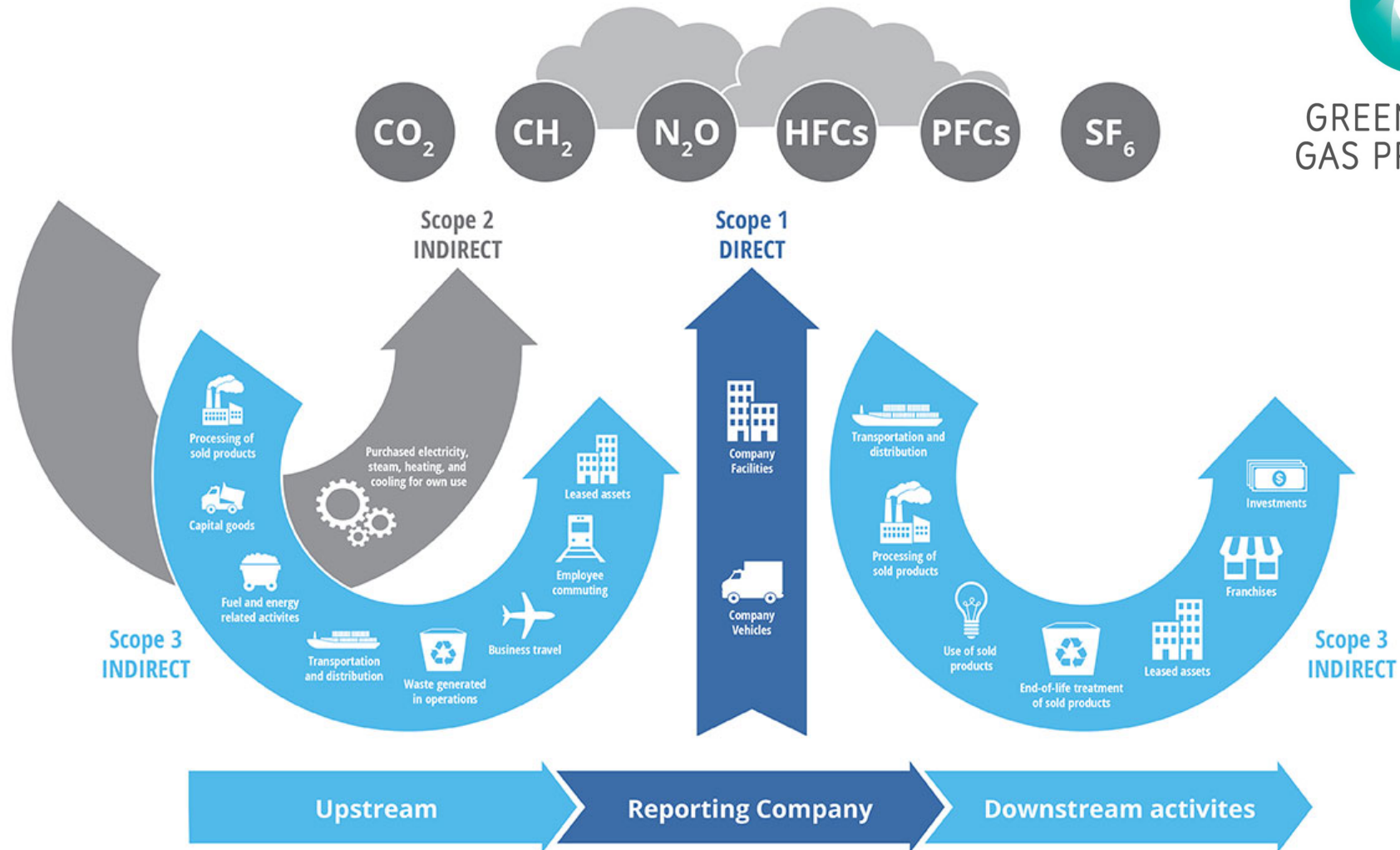




2. Evaluation



GREENHOUSE
GAS PROTOCOL





2. Evaluation

Our breakdown

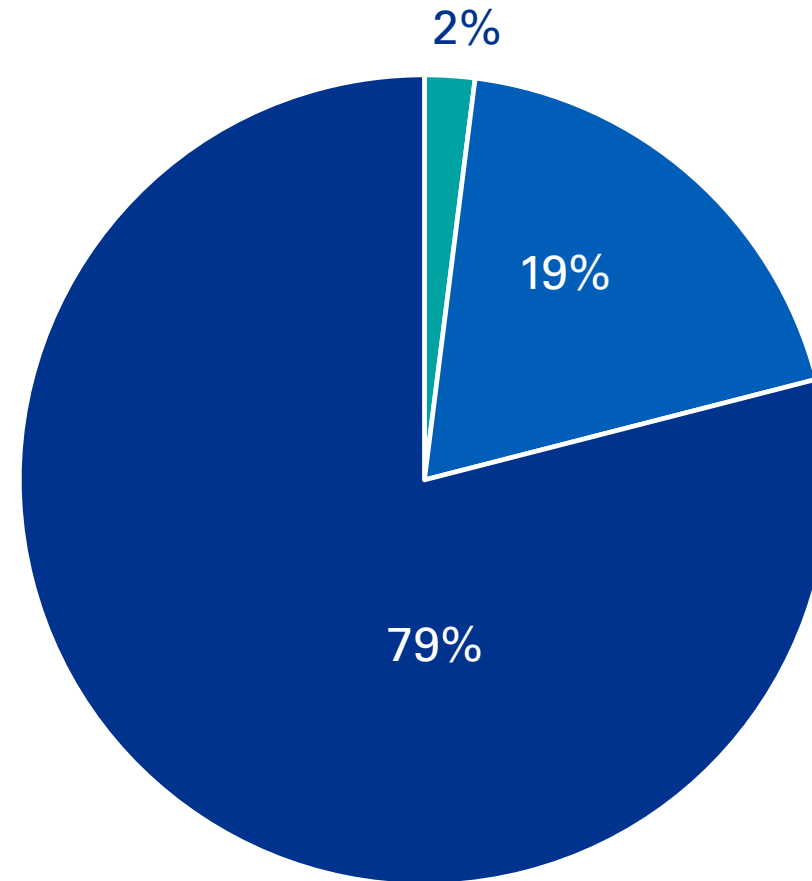
Scope 1



Scope 2



Scope 3





2. Evaluation

Commuting

116 129 kgCO² from the CD Offices

Business Travel

CD offices FY21

52 889 kgCO² Air travel

19 561 kgCO² Hotel stays



Heating

Gas used in IOM offices emitted **2 840 kgCO²**



Power Usage

Non-Renewable electricity used in JSY, GSY & IOM FY21 emitted a total of:

44 500 kgCO²



Delivery Emissions

14 400 kg CO² From delivery of products to all CD offices



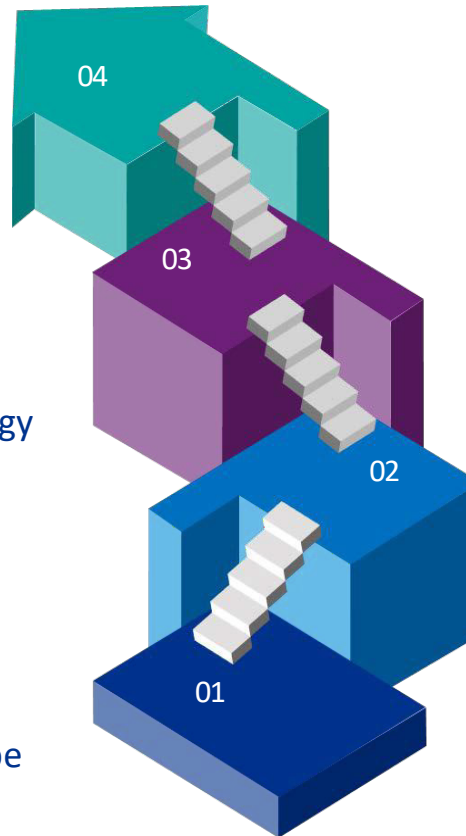
3. Action / Strategy

3) Governance

- Oversight of net zero strategy

1) GHG Inventory

- Identify the sources of scope 1, 2 and 3 emissions



4) Reporting

- Tracking implementation performance
- Communicating progress on net zero to stakeholders (customers, employees, regulators and investors)

2) ESG strategy & implementation

- Roadmap how to mitigate the GHG inventory to align with Science Based Targets (95% of scope 1, 2 in the near term and 67% of scope 3)
- Bridge the gap from near term target to 20xx net zero
- Articulate the value in doing this

KPMG's journey – CDs IMPACT plan

Planet

Reducing our impact on the environment to build a more sustainable and resilient future.



Introduce “Blue Economy” initiatives taking into account our status as Island communities



KPMG has set a global commitment to become a net-zero carbon organization by 2030. We are aiming to achieve the global commitment ahead of schedule.



Complete assessment of carbon footprint by end of 2021 and disclose as part of our plan



In addition to a reduction plan, explore offset opportunities in order to reduce impact ahead of 2030



Work with our suppliers to help us achieve our commitments to our environment



Introduction of a revised travel policy with the aim of making better decisions to support our commitment to the environment



Colleague-led program of initiatives to promote environmentally conscious decision making

People

Creating a caring, inclusive and values-led culture for our people.



All Diversity, Equity & Inclusion initiatives to be actively managed under one programme. We aim to achieve an inclusive culture built on trust, an educated empathetic workforce and be an advocate of equal opportunity



Curated learning opportunities to support a greater variety of career pathways and skill development



Programme of optional life skills learning opportunities



New leadership development programme launched to support succession planning and improve representation of underrepresented groups in leadership positions



Enhance programme of support available to working parents



Introduction of an intelligent working policy following colleague feedback to empower employees to choose their working environment



Enhance wellbeing offering to include supporting individual hobbies and promote cross-island activities/challenges

Prosperity

Driving purposeful business practices and good corporate citizenship.



A refreshed community engagement programme aligned to the needs of our communities and our global SDG commitments



Provide the highest and best use of our people on community engagement initiatives, utilizing the extensive skills of our people and providing further development opportunities benefitting both our communities and our people



Support our people with their personal volunteering or giving initiatives through matched donations and dedicated volunteering time



Publish key metrics that will best reflect our economic contributions to our communities e.g. number of (new) people employed (each year)



Preference given to local suppliers



Build alliances with relevant organizations to support and promote Impact related activities

Governance

Our Values lie at the heart of the way we do things. To do the right thing, the right way.



Creation of a new Stakeholder Council, including employees, to engage stakeholders about our environmental, social and governance priorities



Board oversight of Impact Plan and annual public reporting against progress.



Impact-related goals adopted by all Partners and incorporated into performance reviews.



Establish a governance framework to achieve accountability and consistency on our commitments to Diversity, Equity and Inclusion including appointment of a Partner as Diversity, Equity & Inclusion lead.



Centrally managed and co-ordinated group of 50 separate impact related activities grouped under the headings of planet, people, prosperity and governance.

KPMG's journey - CDs

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Colleague-led program of initiatives to promote environmentally conscious decision making

business
corporate

community
programme aligned
of our communities
al SDG commitments

highest and best use
e on community
initiatives, utilizing
e skills of our people
g further development
s benefitting both our
s and our people

people with their
unteering or giving
rough matched
nd dedicated
time

metrics that will best
economic
s to our communities
of (new) people
each year)

given to local

es with relevant
s to support and
pact related activities

of which are member firms of the KPMG global organisation of independent

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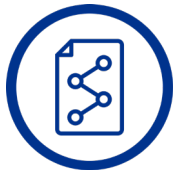


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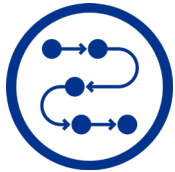


4. Annual monitoring

Success factors:



Data



Process

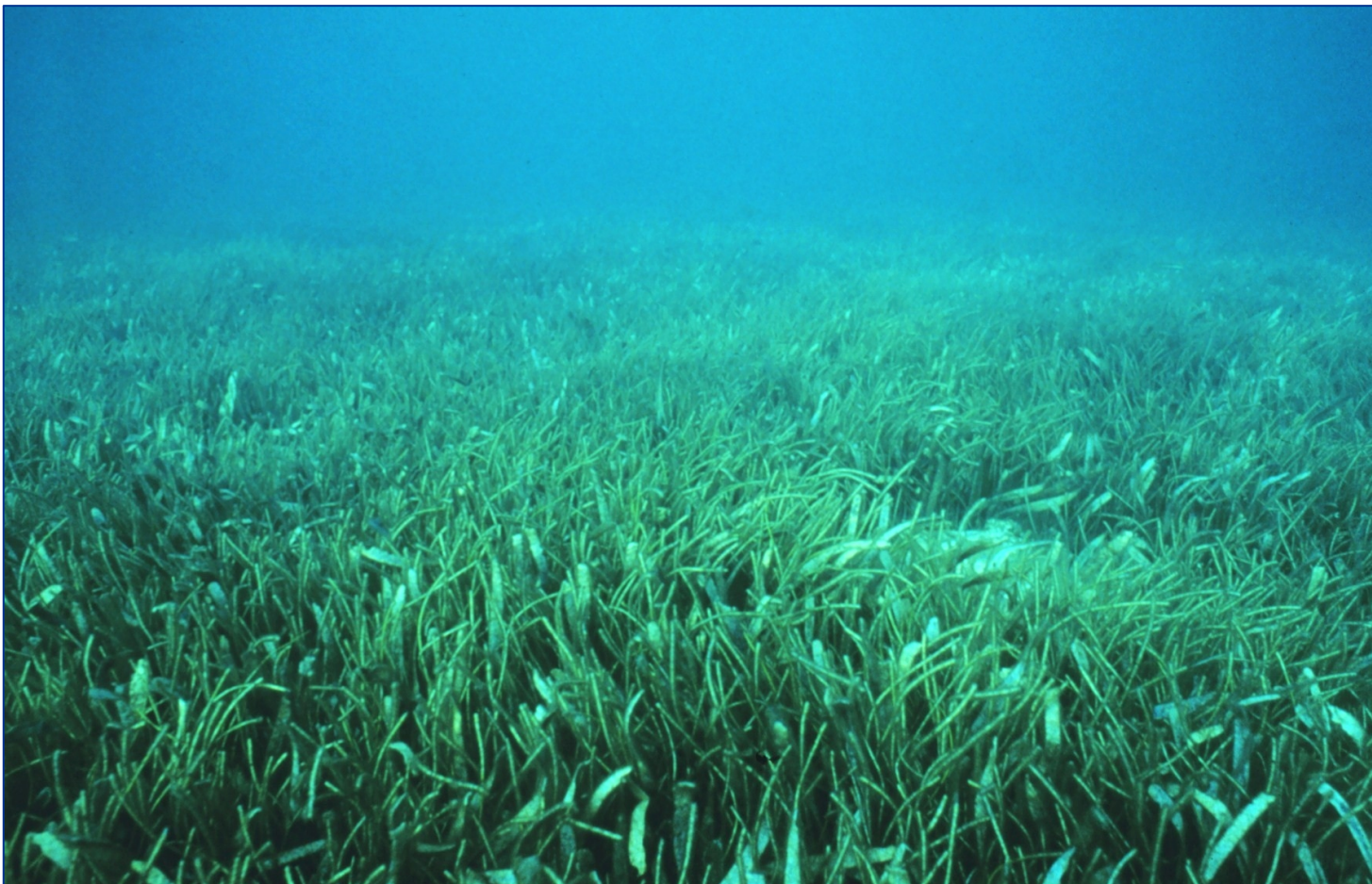


Governance





5. Carbon offsets



How KPMG can help?



**Maturity assessments to
assess your current ESG journey**



Access to ESG reporting tools



Assurance reports



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Questions?





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