

Welcome to the Future of Finance Event

The Evolving Role of Finance in ESG Reporting

19th June 2023

https://kpmg.com/nl/



Welcome to the Future of Finance Event

Today is only the beginning of a new era in the Finance function as forward-looking CFOs and their teams play a vital role in helping businesses address ESG issues and delivering higher levels of efficiency, insight and value across the enterprise.

Key speakers today



Ubbo van Zessen Partner Head of ESG



Vera Moll Senior Manager



Paul Pieroen Director Sustainability Reporting & Strategy Sustainability Reporting & Transformation

A few insights from KPMG's latest ESG survey

96%

Share of G250 companies report on ESG matters

80%

CEOs believe ESG metrics are essential to their data and reporting strategy 64%

Share of the G250 acknowledge climate change as a risk to their business

<10%

Of KPMG's clients believe they have the right processes and systems in place to support their Finance & Reporting organisations



Paul Pieroen

Director

Sustainability Reporting & Transformation



ESG is the future

ESG is a critical design principle for the organization of the future.

ESG is about opportunity...

Organizations that capitalize on this opportunity and transform their operations for better will be rewarded, with all manner of financial and non-financial benefits on the table.

...and business continuity.

Factoring ESG into the transformation agenda is imperative to risk mitigation, change management and building trust, which are all key to ensuring the company's longevity and success.



ESG represents key areas on which companies are evaluated

Environment

Our impact on the planet

Social

Business impact on its employees, customers, and the community

Product

stewardship

Product durability

Governance

Corporate

behavior

Anti-corruption

Antitrust

Business Leadership & Structure

Climate change	Natural resources
Decarbonization	Biodiversity



Packaging

materials

Pollution &



Human capital





Stakeholder

management

Quality of





Corporate

leadership







Finance &

reporting





Climate risk

Climate change

adaption



Water scarcity

Land degradation

& deforestation











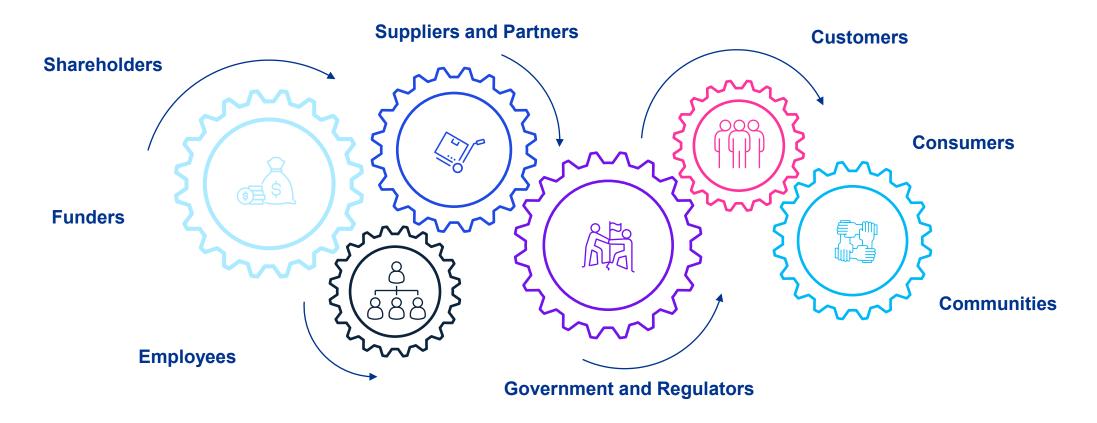




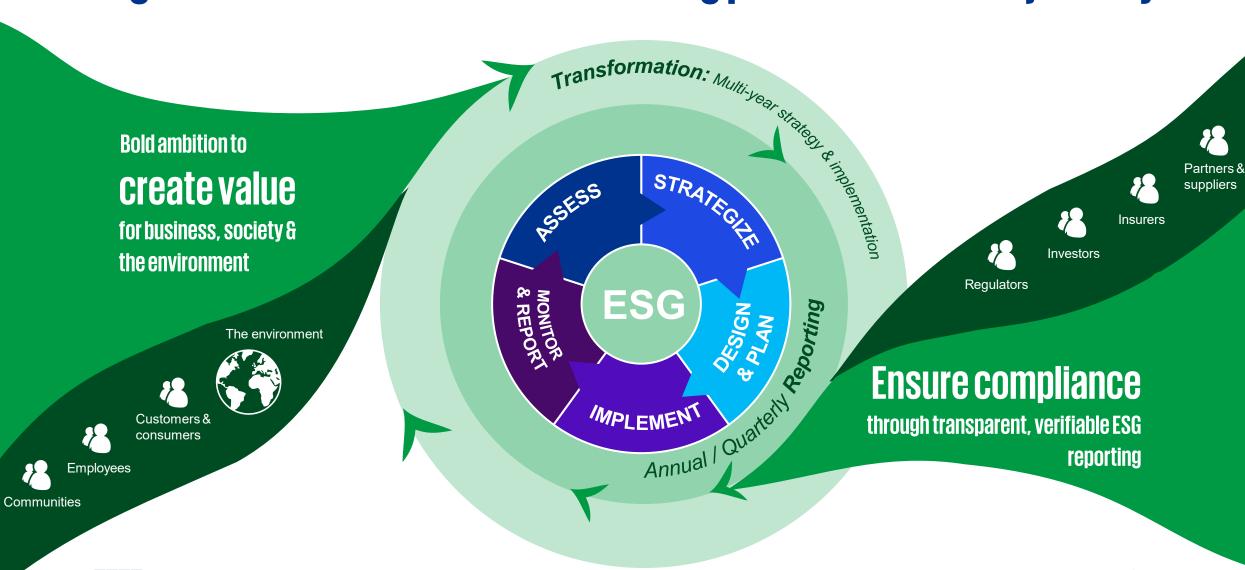
The commitment to these themes is an important factor for external stakeholders, such as, consumers, investors and governments

Why should companies focus on ESG?

ESG includes more than the annual non-financial reporting requirements outlined by regulators. Stakeholders are demanding more from corporations and addressing these concerns may require companies to rethink the way they doing businesses.



Organizations take different starting points on the ESG journey





Vera Moll

Senior Manager

Sustainability Reporting & Strategy



ESRS – Reporting Structure

ESRS Architecture CSRD concepts **Cross-cutting Topical standards** Presentation standard (ESRS 2) (ESRS 1) (ESRS 1) Social Governance Environmental Characteristics of Basis for preparing and information quality Own workforce (S1) Climate change (E1) **Business conduct** presenting sustainability (G1)- Relevance information Workers in the value Pollution (E2) chain (S2) - Faithful Structure of sustainability Water and marine resources (E3) statements Affected representation communities (S3) Biodiversity and - Sector-agnostic - Comparability ecosystems (E4) Consumers and enddisclosures - Verifiability users (S4) Resource use and - Sector-specific - Understandability circular economy disclosures (E5) Double materiality - Entity-specific - Impact materiality Basis for preparation disclosures - Financial Linkage with other parts of Governance materiality corporate reporting **Due Diligence** - Incorporation by Strategy and business model reference Value chain



Time horizons

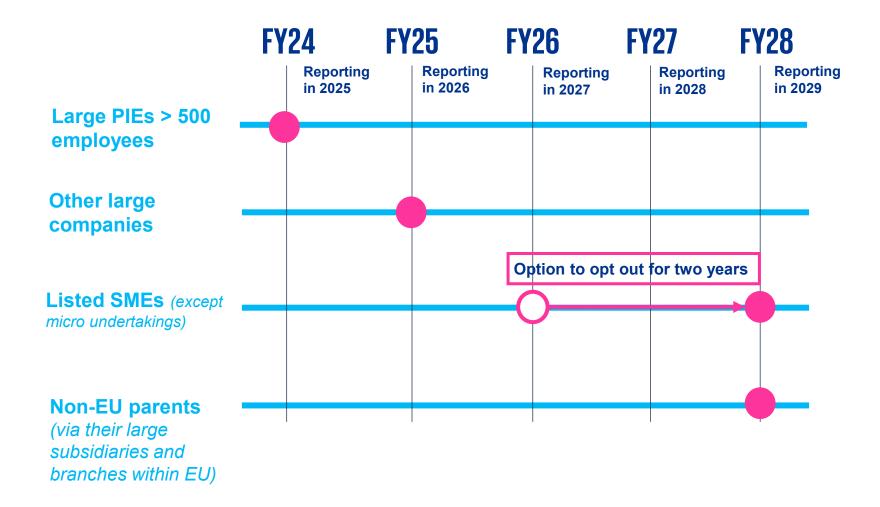
- Connectivity with

financial statements

Impact, risk and opportunity management

Metrics and targets

When would the CSRD apply?





A generic approach to a CSRD project in 8 steps

1. From 'what to report'

2. Via 'how to report'

3. To implementation

01

Double materiality assessment Assess material topics for reporting entity

03

Strategy review

Assess requirements for strategy, action plans etc. vs existing strategy



02

Define reporting scope Specific to the reporting entity

05

EU Taxonomy Design

Establish a comprehensive list of actions, prepare and prioritize action into a plan to develop capabilities and reporting





04

Data and operational gap assessment

Identify availability and quality of required data, review systems, processes, data governance

Implementation

Design actionable roadmap with identified action holders and timelines. Execute identified actions





06

Deployable roadmap Establish a comprehensive list of actions, prepare and prioritize action into a plan to develop capabilities and reporting

08

Assurance readiness Test key KPIs on robustness

~ 9-12 months ~ 3 months



Key challenges in CSRD reporting

Governance

- Project governance
- Permanent structure
- Change management

02

Data quality and availability

- Bottom up vs top down
- Proxy data
- Auditability

03

Moving target

- · Framework under development
- Changing timelines and requirements yet already in force
- No assurance procedures selected yet

04

EU **Taxonomy**

- · Simple KPIs with a whole world behind it
- · Black and white approach

05

Value chain

- Determination of value chain
- Data requests to and from the reporting entity

06

Beyond compliance

- Reporting burden
- · Making an actual positive impact
- Green hushing



ESG Reporting is more than getting the right data

Integrating ESG into core business models and processes is essential for organizations to advance their ESG initiatives.

Technology

Technology solution define, identify, collect and maintain ESG data throughout the organization

Governance

It is imperative that companies apply governance, controls, and compliance processes to its ESG strategy to limit risk and increase effectiveness of reporting.

Process

Standardize and define processes to produce ESG Reporting. Establish and implement strong internal control environment.

Vision & Strategy

Establish guidelines for mission and vision, define objectives, and set the tone of new ESG framework and initiatives.

People & organizational structure

Align people, assess existing skillsets, and define roles and responsibilities to support **ESG** execution

Data and Reporting

Accurate data sources to define, identify, collect and maintain data that supports KPIs, metrics, and targets to monitor progress of ESG commitments.

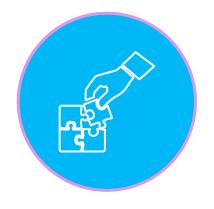
How Finance supports the ESG agenda

There are three key areas where finance drives the organization's ESG agenda:



Investments

Driving sustainability for both external institutional investments and internal capital appropriations



Enterprise value

Deliver decision support in line with overall corporate strategy that is inclusive of current and future sustainability commitments



Reporting

Owning both the data required and ultimate completion of sustainability reporting

Elevating Finance in the ESG agenda optimizes value creation

Deliver sustainable, profitable growth by creating, integrating and realizing enterprise value.

Creating

Enterprise value



- Unlock value from data
- Enable innovation and ESG purpose
- Deliver excellence

Integrating

Strategic imperatives, plans and KPIs



- Enable the business strategy
- Lead enterprise performance and data integration
- Serve as value integrator

Realizing

Turn insights into action



- Mitigate enterprise risks
- Facilitate dynamic funding
- Deliver action oriented insights and ESG insights

Lead enterprise performance

Drive insights

Deliver results

prioritize investing in new growth opportunities as part of their strategy.

instilling a culture where innovation is celebrated.

agree that better use of financial data improves ROI.

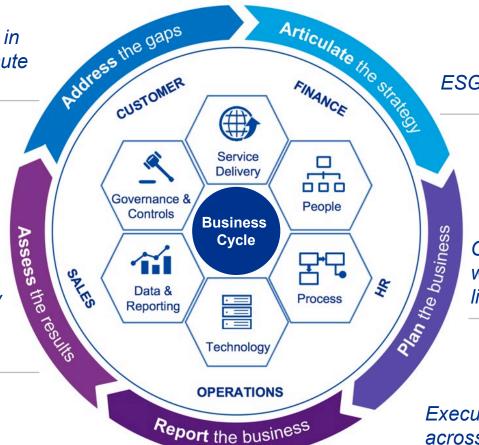
Source: KPMG in the US 2022 Elevating Finance Survey; KPMG in the US Data Imperative



Enterprise Performance Management changes ESG reporting from a disclosure challenge to actionable decision support

Take corrective measures in order to successfully execute the ESG strategy

Report ESG and financial performance and provide analysis capability to quickly evaluate plan vs. actuals



ESG as a process – not an outcome

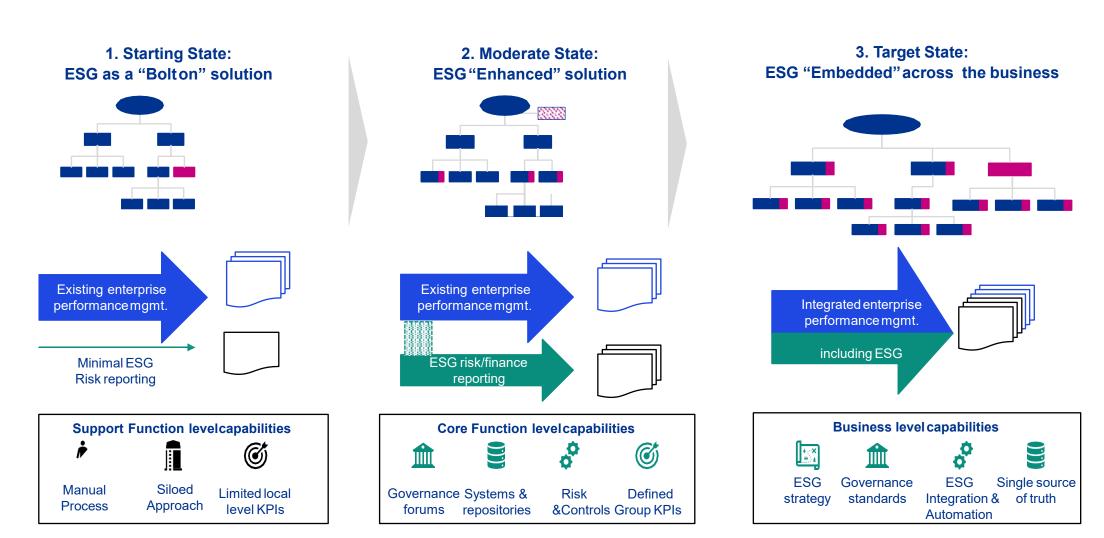
Create an integrated budget an plan where financial and ESG targets are linked and forecasted

Execute the ESG integrated plan across all domains

ESG reporting requires a clear governance structure

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Where should you start your ESG reporting journey?

Due to the complexity of ESG data, the journey to a market leading target state requires a clear roadmap with interim value-adding deliverables along the way.



Defensive



Progressive



Innovative

- Completing mandatory reporting through primarily manual processes
- ESG as side-of-desk activities for non-specialist teams with other responsibilities
- Limited set of KPIs reported

- Automated processing and minimization of duplicated effort
- ESG-focused data model aligned to organizational ESG strategy
- Additional non-mandatory ESG risk reporting for stakeholders

- ESG risks & opportunities incorporated in all commercial decisions
- Reporting is fully integrated in financial reporting processes with internal controls
- A culture of ownership and accountability for data across the entire organization

No Regrets

- ESG data sourcing methodology
- Data traceability support
- ESG use case prioritization and roadmaps

Strategic

- Reporting automation tools that allows little or no human oversight
- Data model which supports crossjurisdictional ESG reporting
- Data quality controls and dashboards

Market leading

- ESG data architecture that aligns to the wider organizational data strategy
- Analytics strategy and tooling that enables ESG insights for non-compliance purposes.
- An enterprise ESG data strategy that ensures consistency across the organization



The ESG transformation journey entails multiple steps

03

Determine future state

Reframe strategic vision to enable a sustainable transformation

01

Assess current state

Assess current ESG needs, risk, opportunities and ESG performance

04

Implement

Measure and monitor ESG performance

Strategy

Develop an appropriate ESG

Develop the

strategy and integrate it with the business strategy

Effectively levering the latest sustainable technology solutions

Collect internal and external ESG data sets

Build the long term foundation through Master Data Management



Measure

Measure and monitor ESG performance



06

Report

Enhance transparency of disclosure of ESG performance



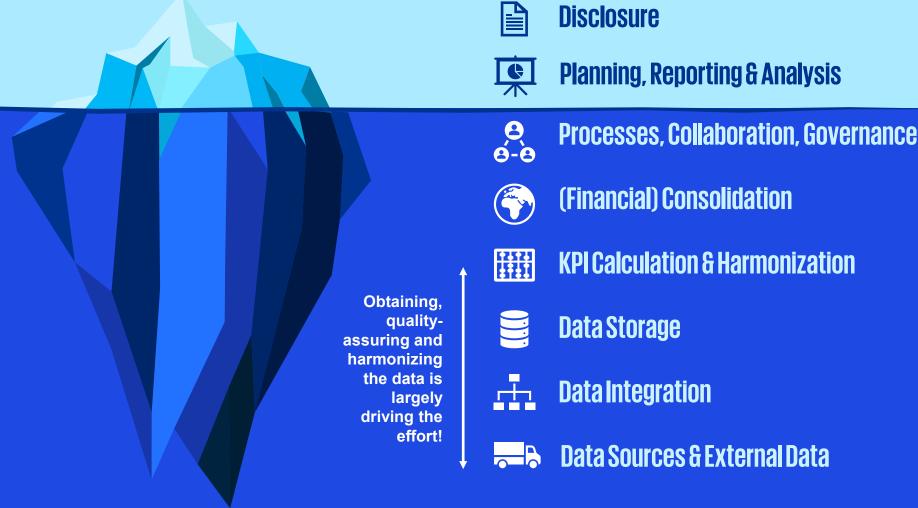
07

Assurance

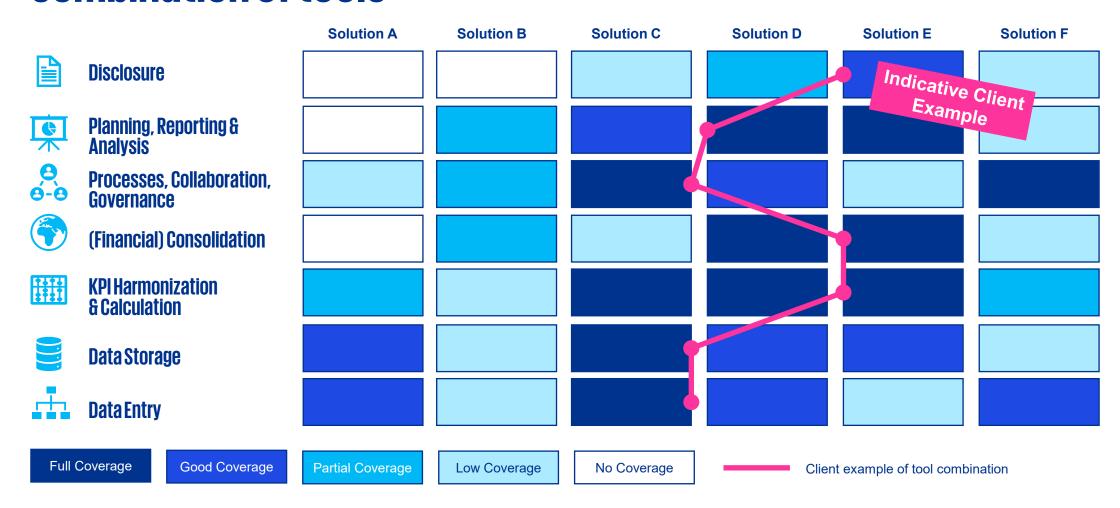
Provide trust to internal and external stakeholder



Selecting the right systems for ESG reporting, requires consideration of more than just reporting capabilities



Preparing for ESG reporting requires selecting the right combination of tools



Getting started: Lessons learned that can help accelerate your ability to drive value

Getting Started

- Start as soon as possible and if you've started already, accelerate
- Think big, act small.



Value Focus

- ESG is more than producing a report incorporate ESG into your strategy and the heartbeat of the organization
- Invest in internal communication and continue to inform and to start changing people's way of thinking



Reporting Strategy

• Focus on KPI's that are relevant for your company in 2024-2025 (considering phase in period)



Emphasize Governance & Collaboration

- · Agree on a clear ESG governance at the beginning as it will ease the implementation phase of your journey
- ESG is impacting all departments within your organization establish a multidisciplinary (inclusive) project team
- Start with the community of the willing



Purpose driven

Tone at the top is important to ensure your journey is a purpose driven exercise – prevent solely compliance driven

ESG Technology Demonstrations

Room: A00.02

Servicenow

ESG Management & Reporting





Niels Backx

Yoeri Simon

Discover ServiceNow's ESG Management application and learn how it helps you centrally manage your ESG commitments and facilitates reporting of ESG metrics.

Room: A00.04

Salesforce

NetZero Cloud





Yunkai Ruan

Ahmad Abu Doush

Discover Salesforce's ESG solution suite with NetZero Cloud and learn how it automates data collection and integration for realtime reporting.

Room: Plenary Room

Microsoft **Sustainability Manager**





Giovanni Vierling

Guido Sicuro

Discover Microsoft's Cloud for Sustainability and how it can accelerate your sustainability goals.

Room: Bar

Appian

Low code automation





Tessa Snels

Nina Pronk

Discover digitization through a robust low-code platform that enables you to navigate challenges and helps to improve and streamline your ESG digital experience.

Timing

Round 1: 15:40 – 16:10 | **Round 2:** 16:15 – 16:45



Panel Discussion

Companies increasingly need to understand and navigate the growing link between environmental and financial performance.



Jurrienne Schijff

Head of Group **Business Control Royal BAM Group NV**



Lena Pyatkovsky

Global Sustainability Manager

Adyen



Lodewijk Lockefeer

Chief Financial Officer

Royal Zeelandia Group BV



Vera Moll

Senior Manager Sustainability Reporting **KPMG**



Paul Pieroen

Director ESG Reporting & Transformation **KPMG**

What should you be thinking about next?

80% of leading finance organizations include ESG metrics in their data and reporting strategy and treat ESG information like financial information for real-time reporting.

> Is your finance department adequately integrated into ongoing and potential ESG initiatives?

What skills and capabilities are required to support ESG and how will you close talent gaps?



Where can finance make the largest ESG impacts?

How are **ESG KPIs** aligned to the business strategy and cascaded through the organization?

What is the **ESG** transformation value case and roadmap to a sustainable future?



