



KPMG Business Leaders' Summit 2023

Driving the future

12 September 2023





Future of ESG

KPMG Business Leaders' Summit 2023
Driving the future

Global Landscape For Shaping ESG Agenda

Environmental & Social matter in the global top risks

Top 5 Global Risks in Terms of Likelihood

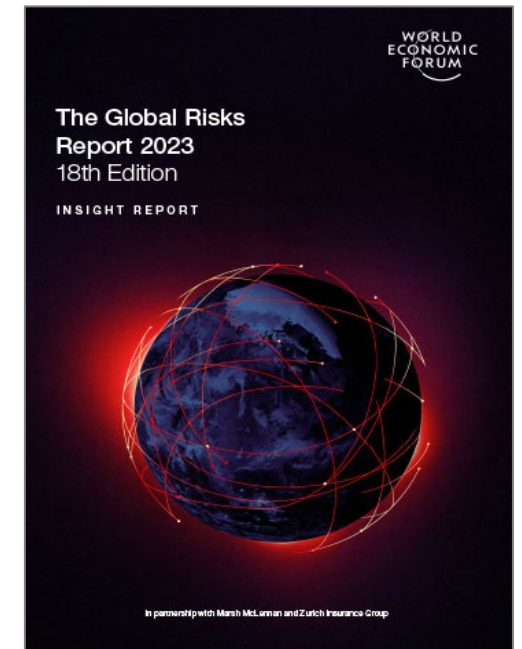
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1st	Infrastructure breakdown	Blow up in asset prices	Asset price collapse	Asset price collapse	Storms and cyclones	Income disparity	Income disparity	Income disparity	Interstate conflict	Involuntary migration	Extreme weather	Extreme weather	Extreme weather	Extreme weather	Extreme weather
2nd	Chronic diseases	Middle East instability	China economic slowdown	China economic slowdown	Flooding	Fiscal imbalances	Fiscal imbalances	Extreme weather	Extreme weather	Extreme weather	Involuntary migration	Natural disasters	Climate action failure	Climate action failure	Climate action failure
3rd	Oil price shock	Failed and failing states	Chronic diseases	Chronic disease	Corruption	Greenhouse gas emissions	Greenhouse gas emissions	Unemployment	Failure of national governance	Climate action failure	Natural disasters	Cyberattacks	Natural disasters	Natural disasters	Human environmental damage
4th	China hard landing	Oil price shock	Global governance gaps	Fiscal crises	Biodiversity loss	Cyberattacks	Water crises	Climate action failure	State collapse or crisis	Interstate conflict	Terrorist attacks	Data fraud or theft	Data fraud or theft	Biodiversity loss	Infection diseases
5th	Blow up in asset prices	Chronic diseases	Deglobalization (emerging)	Global governance gaps	Climate change	Water crises	Population ageing	Cyberattacks	Unemployment	Natural catastrophes	Data fraud or theft	Climate action failure	Cyberattacks	Human-made environmental disasters	Biodiversity loss

Top 5 Global Risks in Terms of Impact

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1st	Blow up in asset prices	Blow up in asset prices	Asset price collapse	Asset price collapse	Fiscal crises	Financial failure	Financial failure	Fiscal crises	Water crises	Climate action failure	Weapons of mass destruction	Weapons of mass destruction	Weapons of mass destruction	Climate action failure	Infection diseases
2nd	Deglobalization	Deglobalization (developed)	Deglobalization (developed)	Deglobalization (developed)	Climate change	Water crises	Water crises	Climate action failure	Infectious diseases	Weapons of mass destruction	Extreme weather	Extreme weather	Climate action failure	Weapons of mass destruction	Climate action failure
3rd	Interstate and civil wars	China hard landing	Oil and gas price spike	Oil price spikes	Geopolitical conflict	Food crises	Fiscal imbalances	Water crises	Weapons of mass destruction	Water crises	Water crises	Natural disasters	Extreme weather	Biodiversity loss	Weapons of mass destruction
4th	Pandemics	Oil price shock	Chronic diseases	Chronic disease	Asset price collapse	Fiscal imbalances	Weapons of mass destruction	Unemployment	Interstate conflict	Involuntary migration	Natural disasters	Climate action failure	Water crises	Extreme weather	Biodiversity loss
5th	Oil price shock	Pandemics	Fiscal crises	Fiscal crises	Energy price volatility	Energy price volatility	Climate action failure	Infrastructure breakdown	Climate action failure	Energy price shock	Climate action failure	Water crises	Natural disasters	Water crises	Natural resource crises

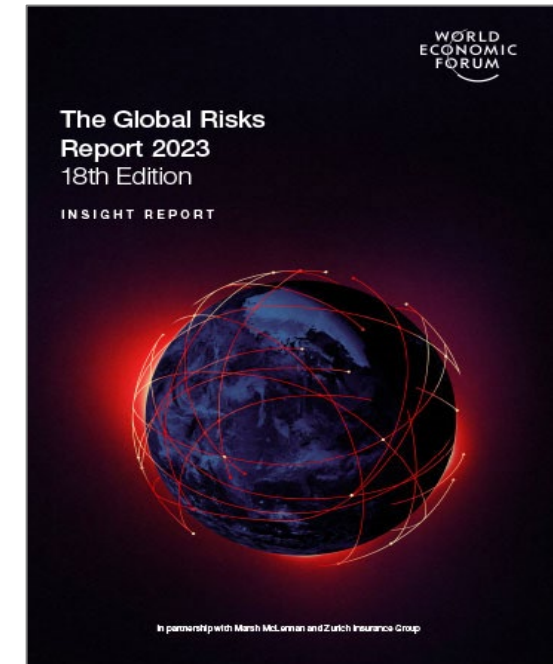
■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Source: World Economic Forum 2007-2020, Global Risks Reports.



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Environmental & Social matter in the global top risks





Our Burning Planet

Touch upon $1.5^{\circ}\text{C} < 5$ years

$2^{\circ}\text{C} < 15$ years

No regret roadmap towards Net Zero

New Climate Economy

Paris Agreement: 4 °C → 2 °C → 1.5 °C

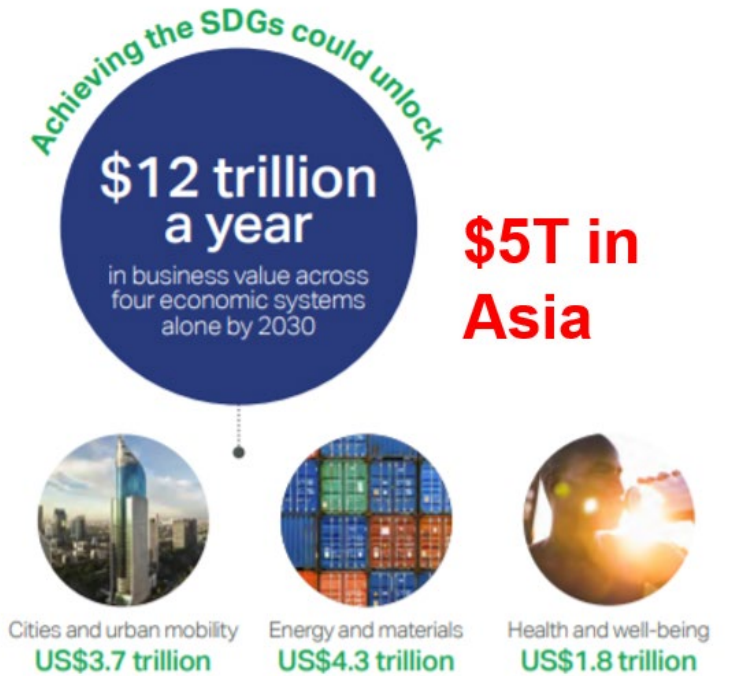


Turning risks into opportunities

A resilient future and positive impact we want



Huge business opportunities in SDGs



Source: CEO Guide to the SDGs, WBCSD

Global goals , reporting frameworks, regulations



EU Taxonomy

CSRD

SFRD



SEC Proposed Rule



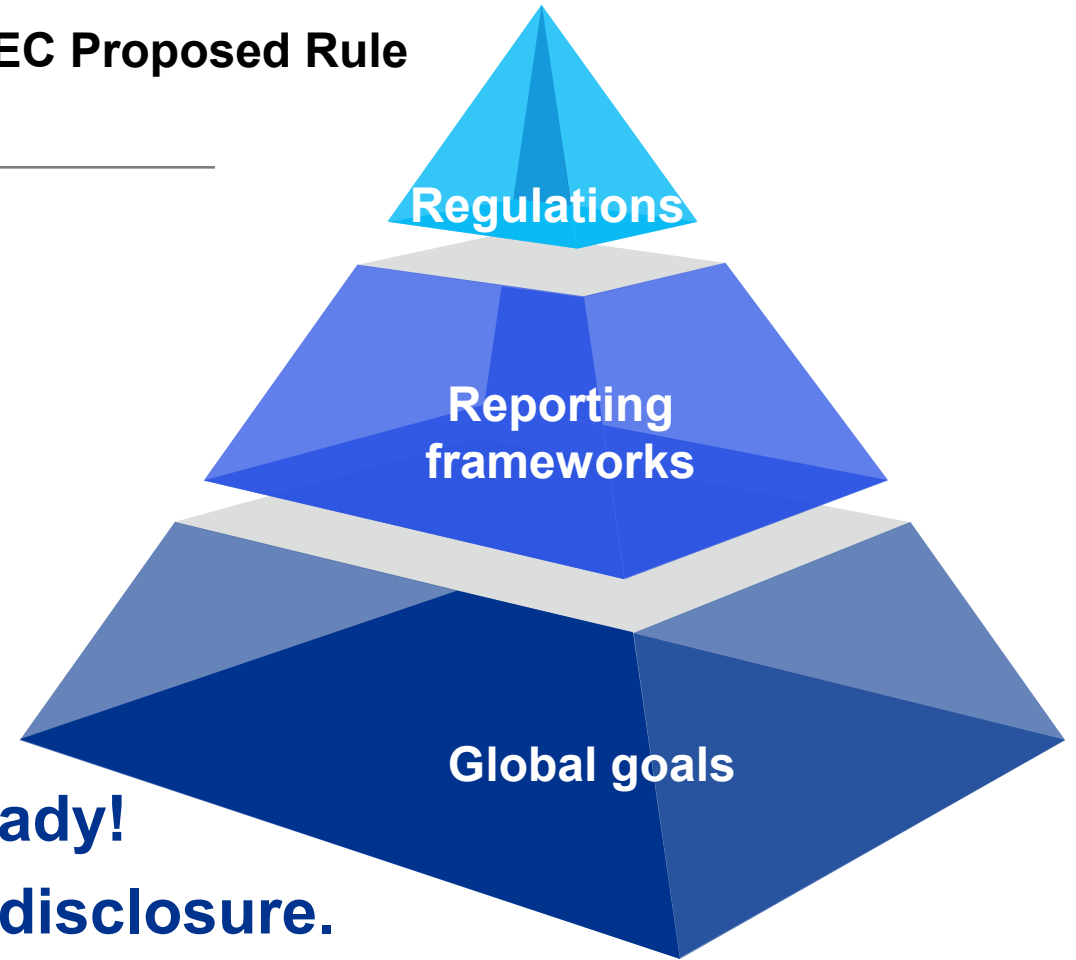
ISSB

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



Principles for Responsible Investment



**A 20-year journey on ESG reporting already!
It's time for investment-grade ESG data disclosure.**

Asia Pacific – must transform towards sustainability

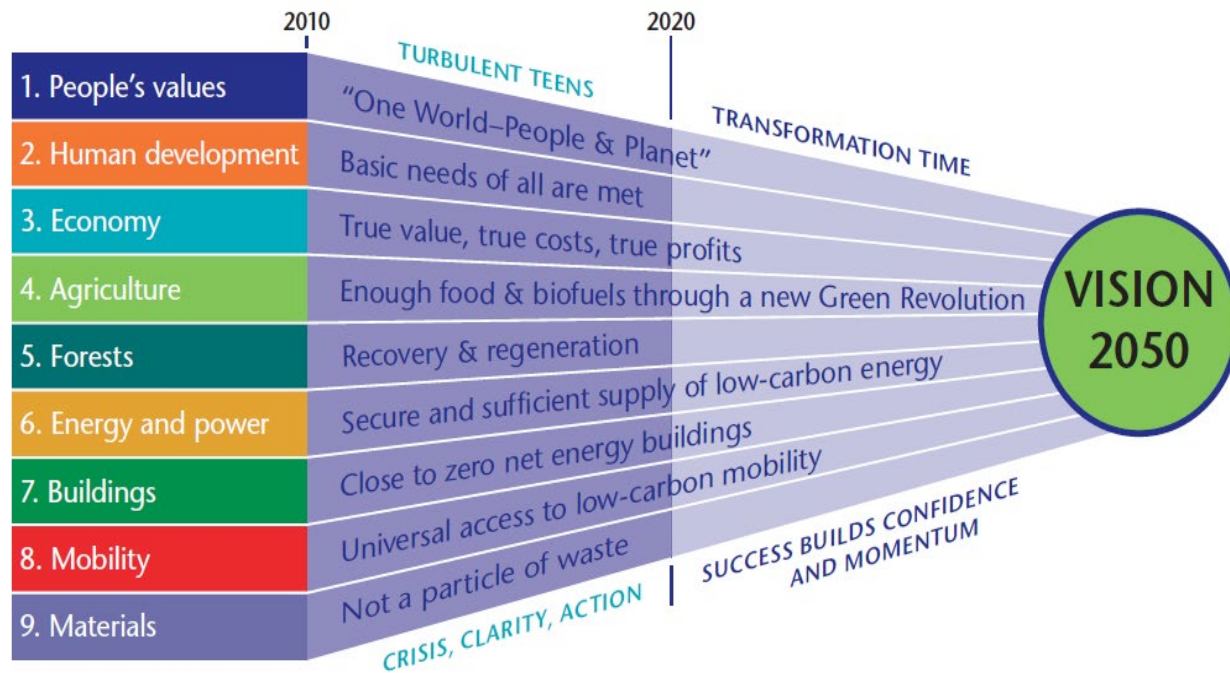


- **Energy growth, Climate impact & Carbon constrained**
- **Population, poverty & Sustainable Development Goals (SDGs) constrained**
- **Global manufacturing center & resource constrained**
- **Fast growing MNCs with impact**
- **Booming of sustainable finance & expertise constrained**
- **Choice of Foreign Direct Investment but lack of ESG**
- **Origin of SMEs as solutions providers**

What We Need for Global Systematic Transformation

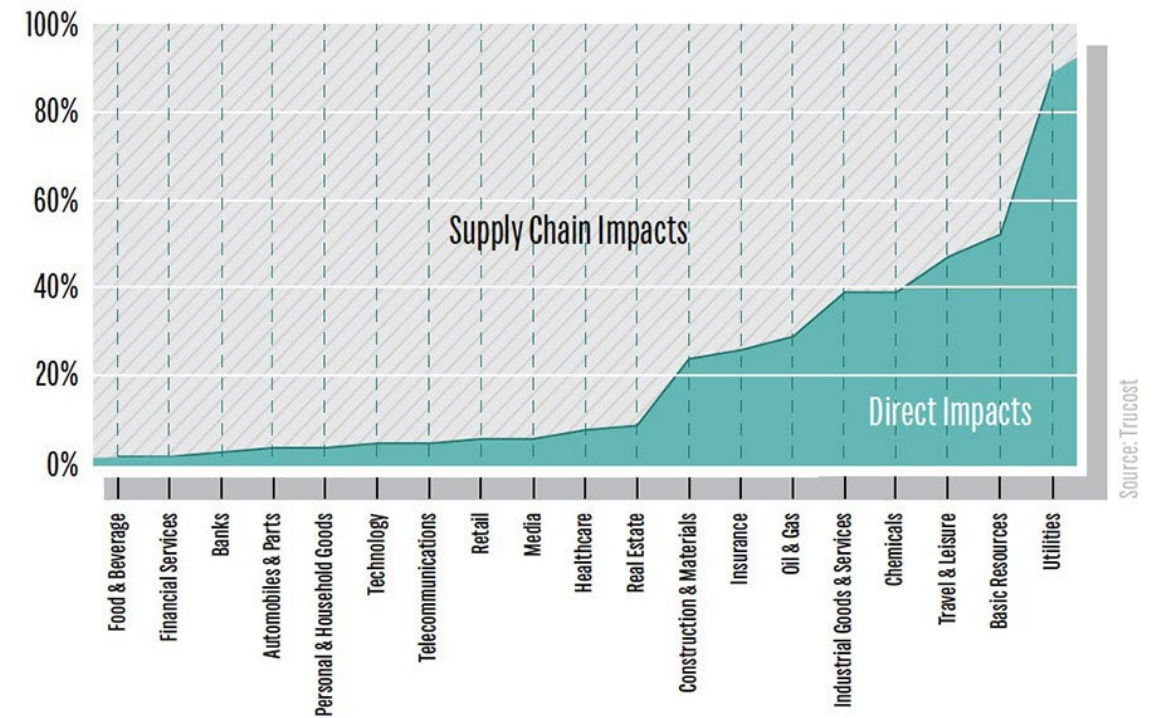
Net zero pathway & manage the impact in the value chain

The pathway and nine elements that lead to Vision 2050



Source: WBCSD

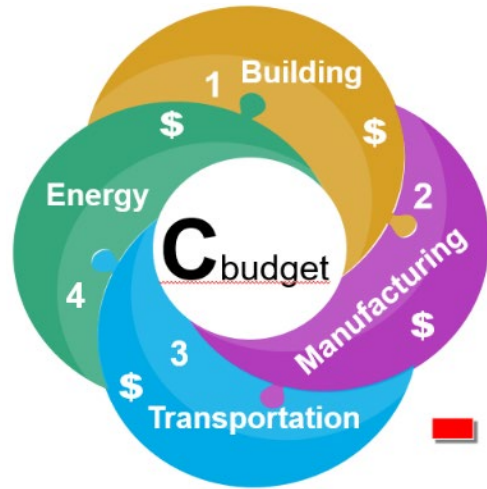
Where Natural Capital Impacts Occur in the Value Chain



Source: Trucost

New landscape for low-carbon economy

Insight from the Pandemic



2030

- 50%



(示意图 / 圖取自維基共享資源，版權屬公有領域)

Disruptive Innovation & Systematic Transformation

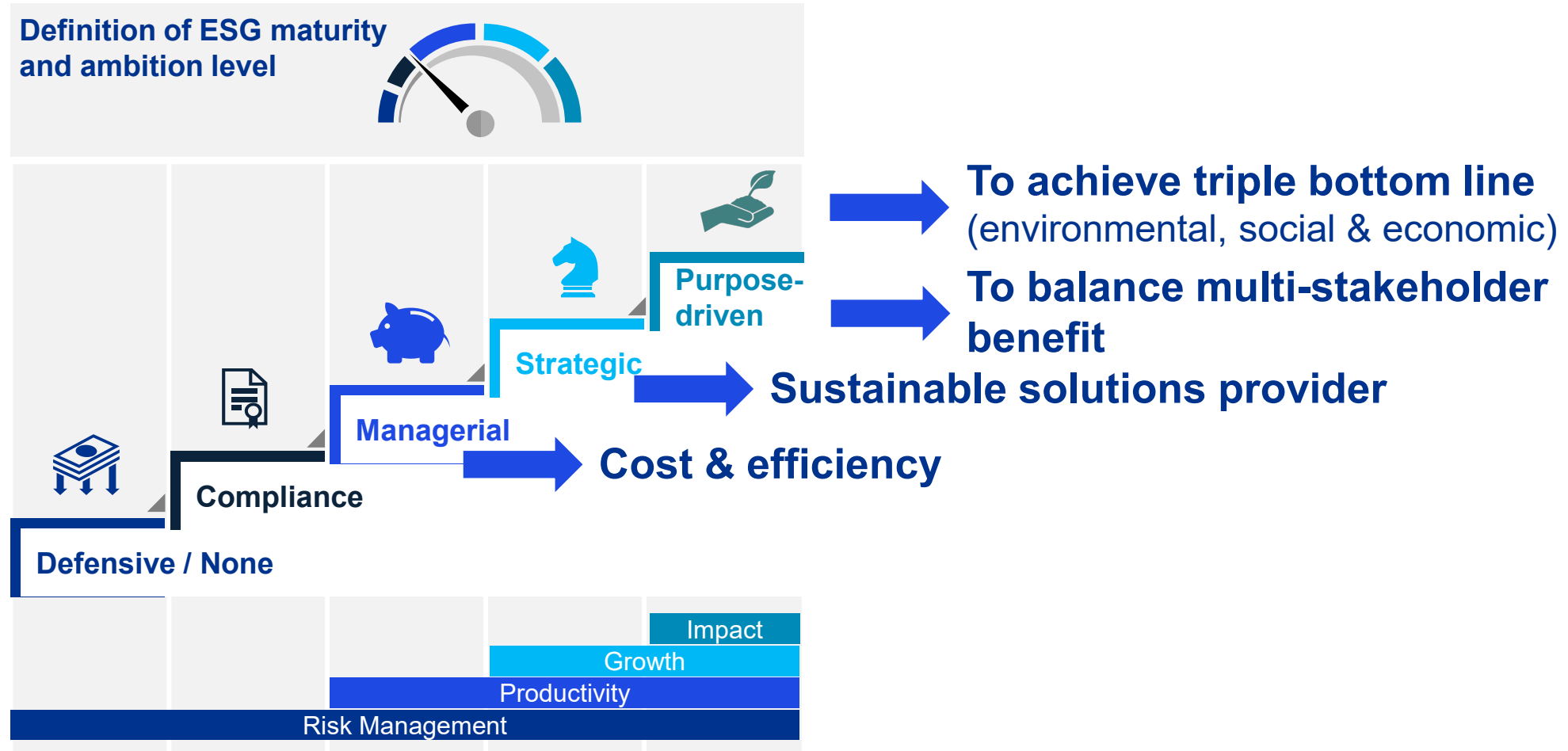
Energy

Materials

Global Supply Chain

Sustainable Finance

The ESG Maturity and Ambition Need to be Defined



Sources: KPMG, based on UN Global Compact Sustainability Stages Model: Defensive / None (originally Crisis Management), Compliant (originally Compliance), Managerial (originally Resource Optimization), Strategic (originally Market Differentiation), Purpose Driven (similar)



UNILEVER SUSTAINABLE LIVING PLAN



4,021.50 GBX

+3,662.48 (1,020.13%) ↑ all time

Jun 16, 8:19 AM GMT+1 • Disclaimer

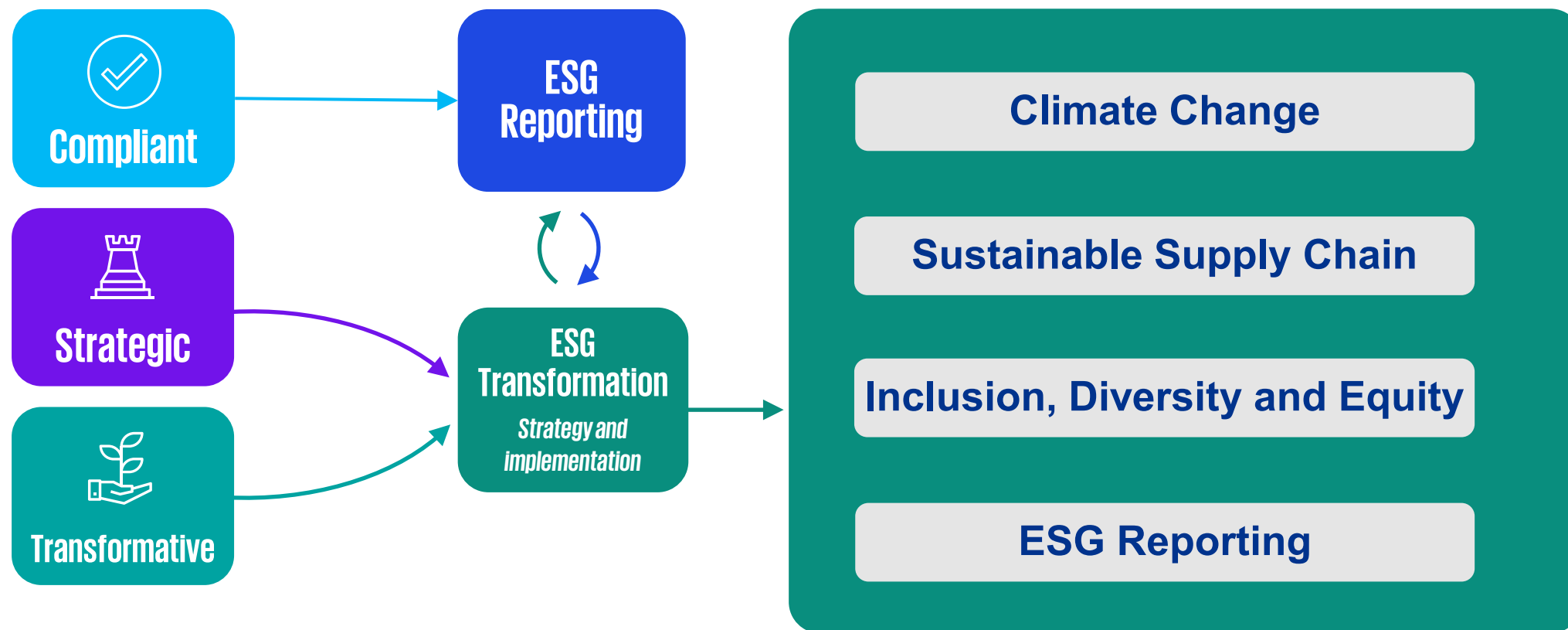
1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



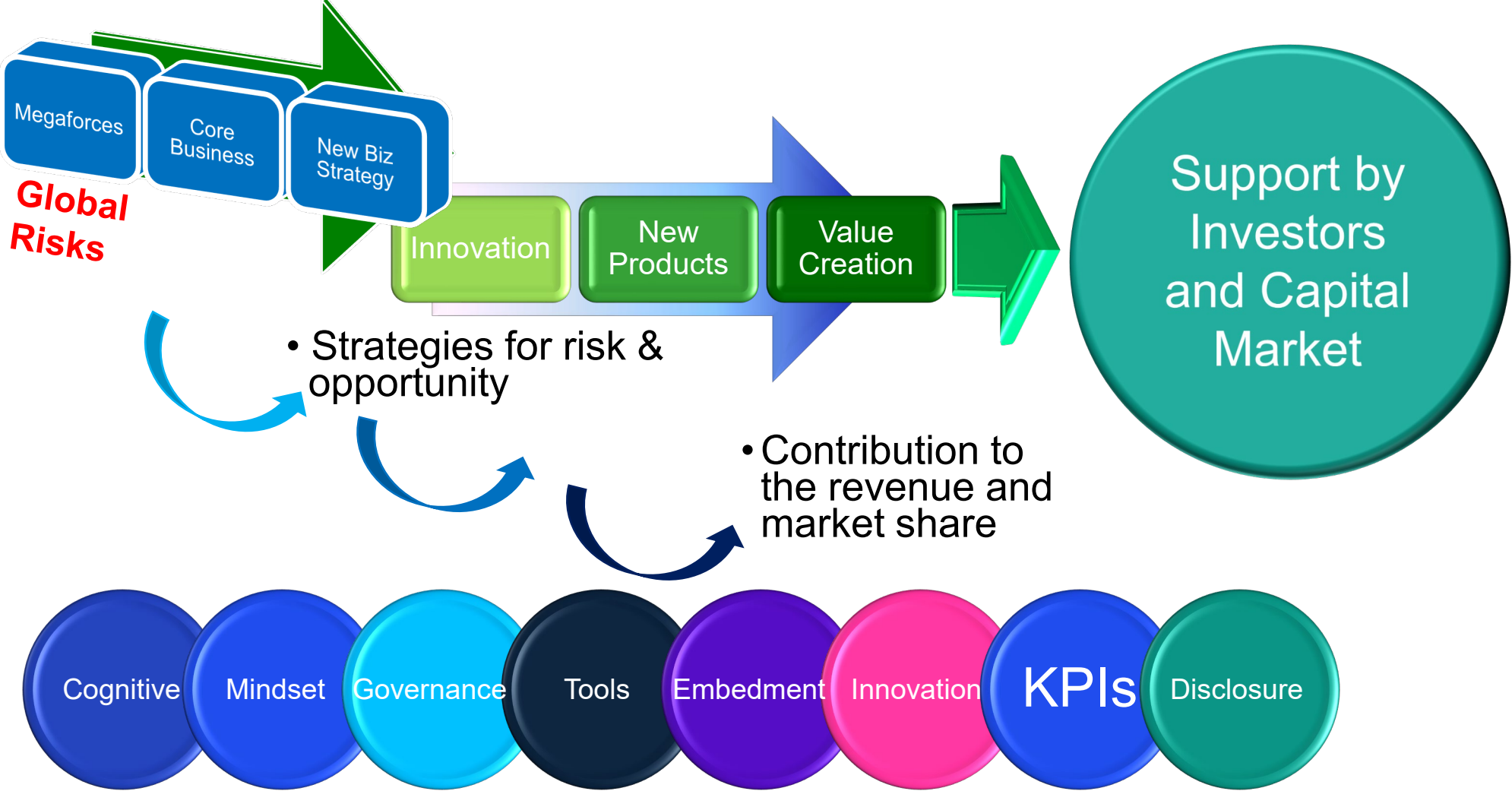
Integrating ESG into Corporate Strategy and ESG Pays

Holistic transformation can unlock real impact

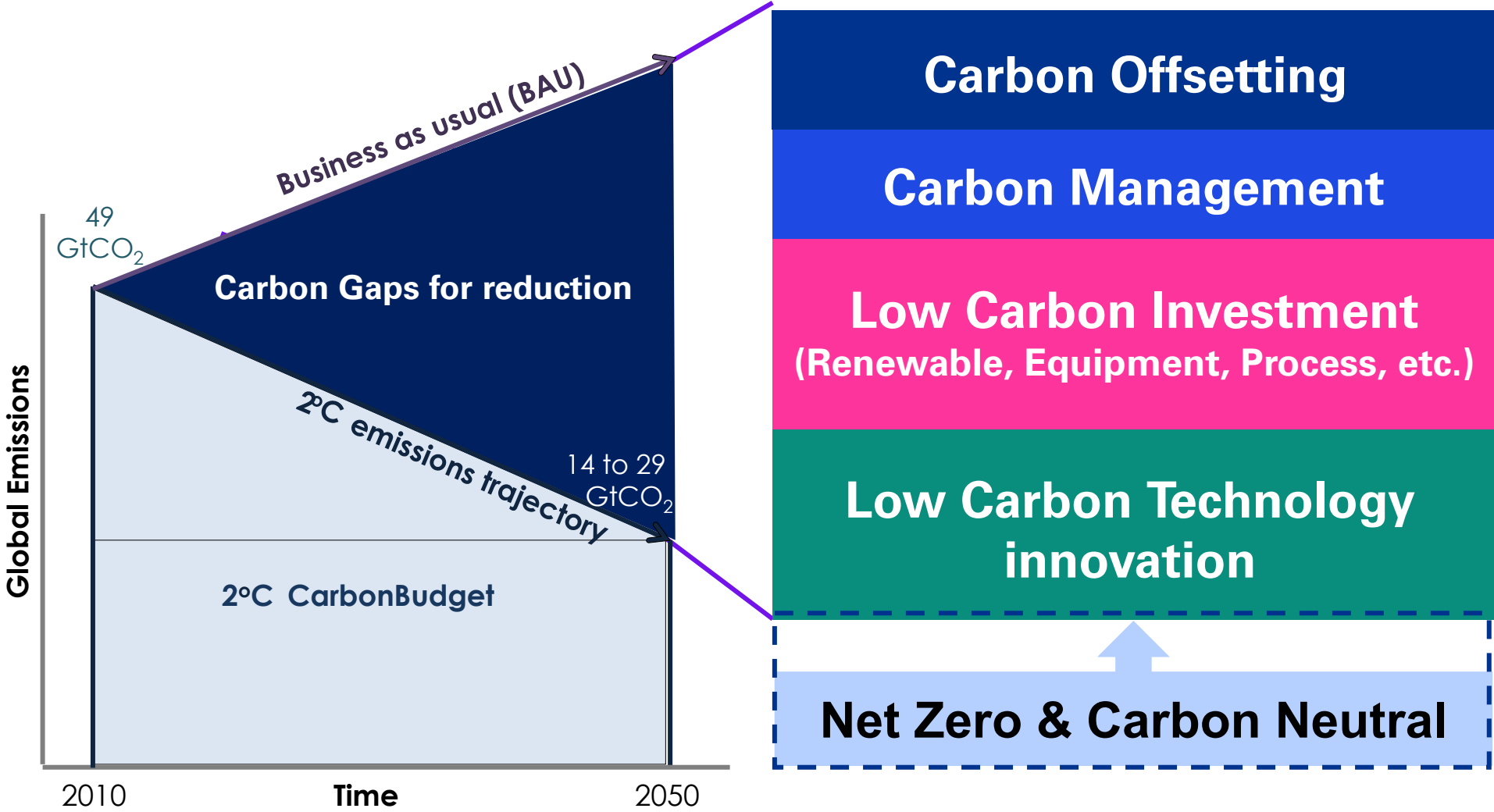
The ESG Transformation is not only about the ESG compliance. It requires a comprehensive approach to cover the entire value chain.



Purpose-driven ESG strategy



Corporate climate strategy roadmap



Major ESG agenda for everything we do

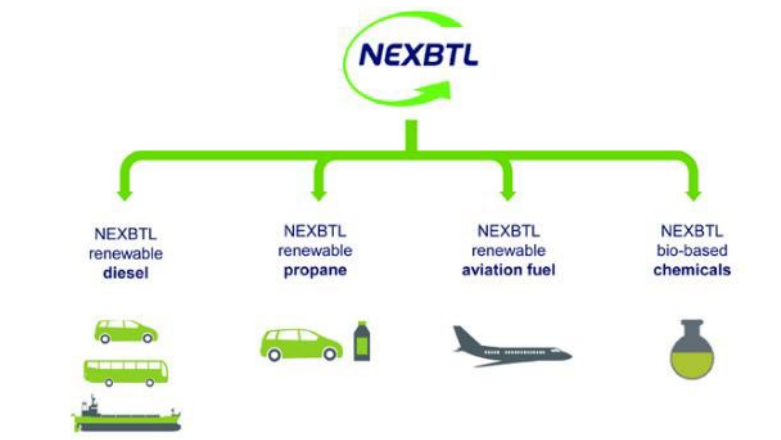


40.56 EUR

+34.82 (606.62%) ↑ all time

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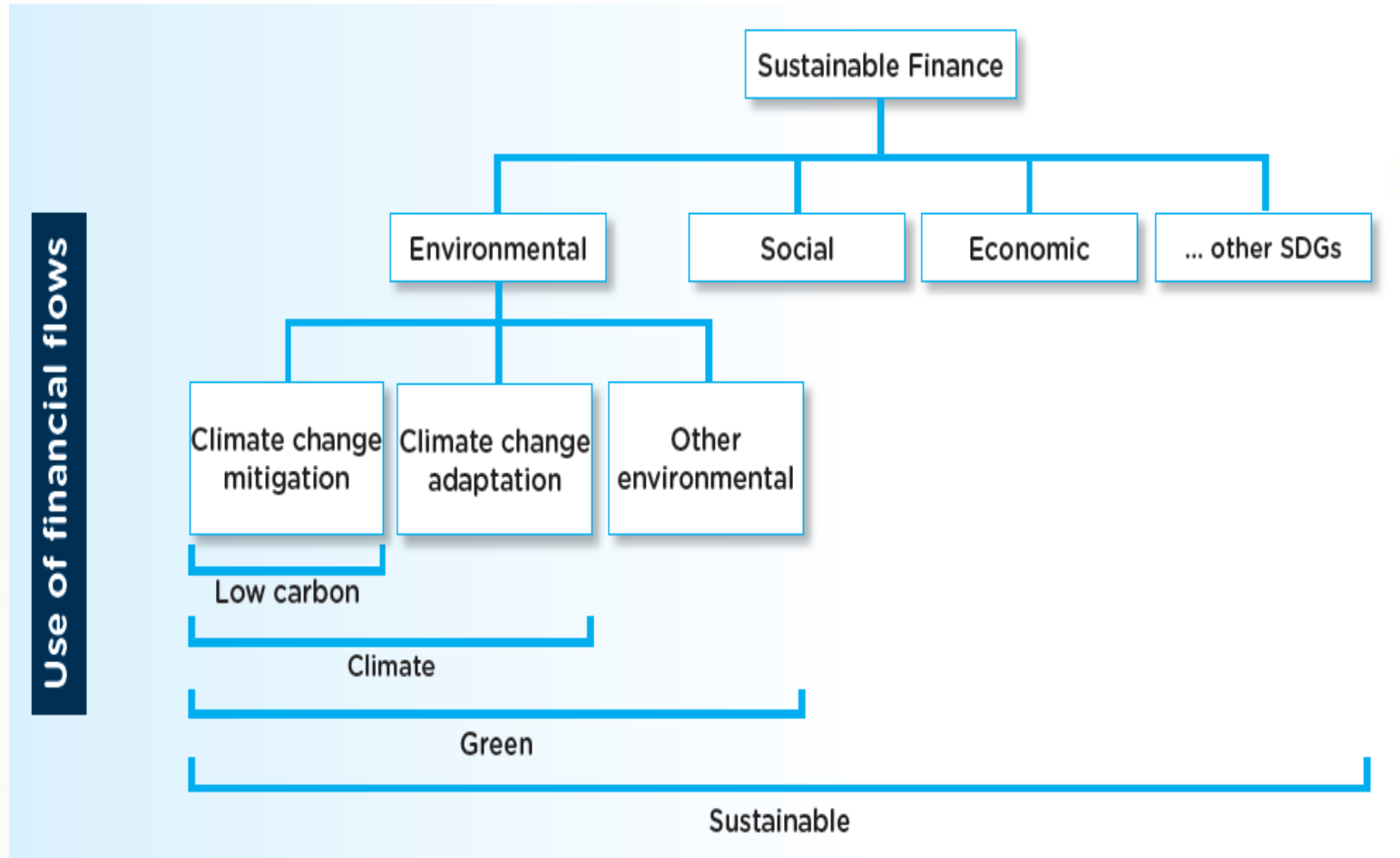
1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



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Sustainable Finance as New Wave for ESG

Sustainable finance



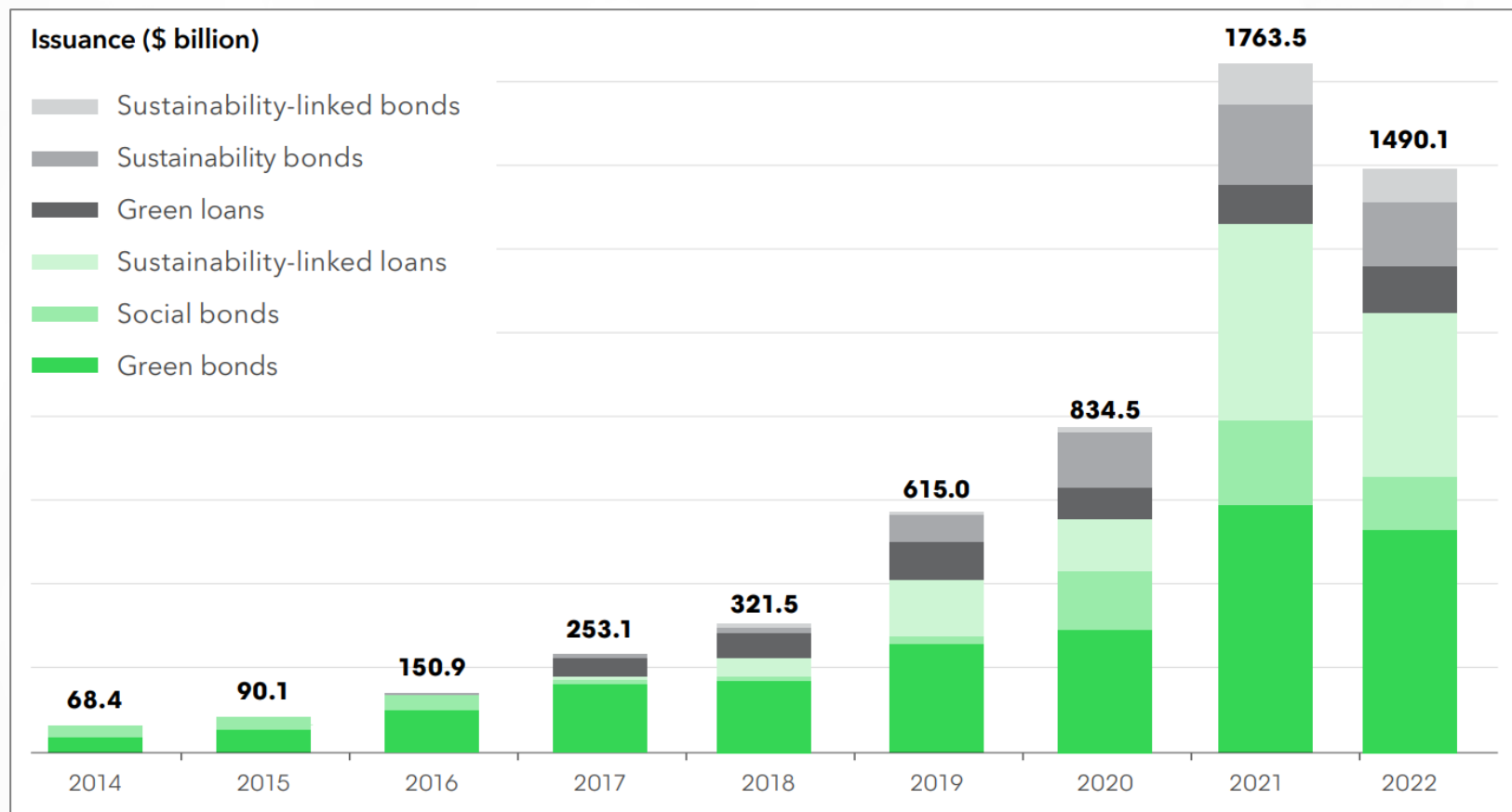
A 20-year journey of sustainable finance



Source: Definitions and Concepts: Background Note. Inquiry Working Paper 16/3. Geneva: UN Environment. http://unepinquiry.org/wp-content/uploads/2016/09/1_Definitions_and_Concepts.pdf (2016)

Sustainable debt 2022: US\$1.5T but first ever year-on-year drop

Global sustainable debt issuance hit **\$1.5 trillion in 2022** — its **first ever year-on-year drop**. The **15.5% decline** was due to poor macroeconomic conditions. Meanwhile, regulators globally built frameworks to define what constitutes a sustainable investment, bolster disclosure and integrate climate into corporate and financial strategies, suggesting that **the turbulence in 2022 may be an aberration rather than the new normal**.



Source: P26 [Bloomberg-Impact-Report-2022.pdf \(bbhub.io\)](#)

Need to close the gap

US\$9.2tn/y for net-zero

Reaching net-zero emissions by 2050 requires a significant increase in spending on physical assets.

Average annual spending on energy, mobility, industry, buildings, agriculture, forestry, and other land use, 2021–50,¹ \$ trillion

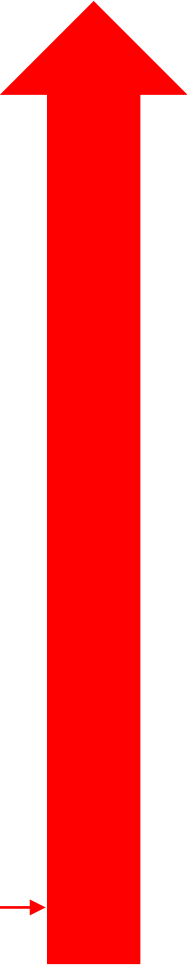
\$9.2



¹Estimates based on Net Zero 2050 scenario from the Network for Greening the Financial System, which limits warming to 1.5°C, a hypothetical scenario, not a prediction or projection.

US\$1tn/y for 2°C

SOURCE: THE NET-ZERO TRANSITION: WHAT IT WOULD COST, WHAT IT COULD BRING (MCKINSEY, 2022)



Sustainable investment – Taxonomy & Transparency

The growth in sustainable investing has given rise to a new vocabulary used to define various approaches. There are no universal definitions for these terms, and they are often used interchangeably. As the terminology in this space continues to evolve, it is important for investors that are assessing investment opportunities to look closely at the underlying approach being utilized. The framework, described below, outlines how we define these approaches.



New wave for ESG: Driven by investor and capital market

ISSB aims to become a comprehensive global baseline of sustainability disclosures

General Requirements for Disclosure (S1)

- General feature of reporting, including materiality
- Four core content areas of reporting, including governance, strategy, risk management, and metric and target
- Practical guidance, including fair presentation of information



Climate-related disclosure (S2)

It builds on four contents area with additional guidance as below

- Disclosure of **climate risks, climate transition plan, and scenario analysis.**
- **General and industry-specific metric**



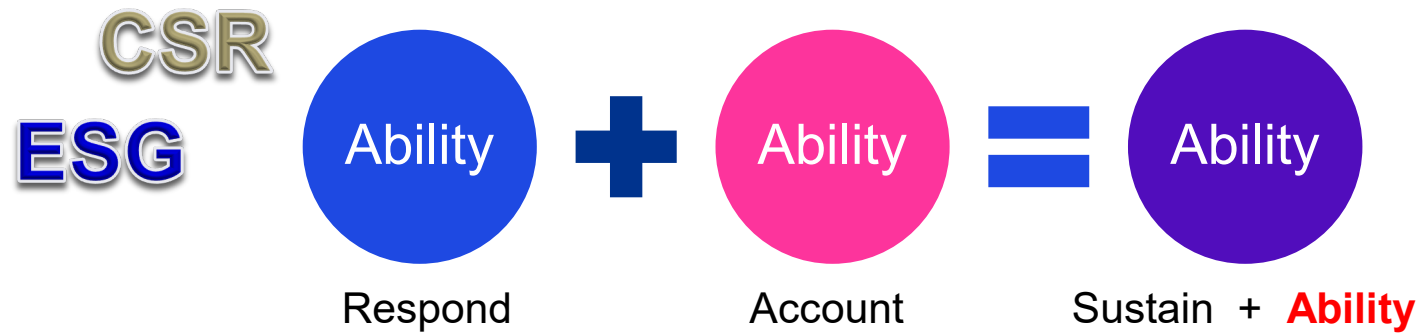
Future proposal (Other topics)

Additional standards for specific topics are expected to develop in the future.



Conclusions

Ability is the POINT



Responsibility = Ability to respond

Accountability = Ability to account

Sustainability = Ability to sustain

**Constrained future
needs systematic
transformation**

**Inaction cost is
much higher**

**Risk exposure
because of impact
to value chain**

**ESG should be the
core of business
strategy**

**Sustainable finance
to drive for long term
value creation**



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Document Classification: KPMG Public



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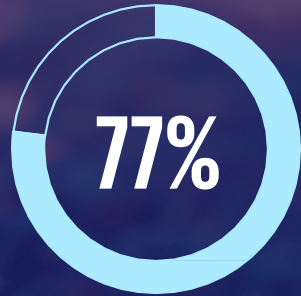
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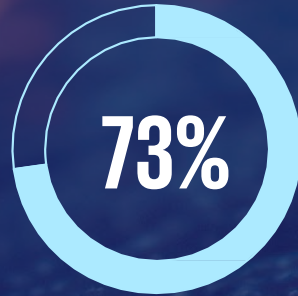


Survey highlights

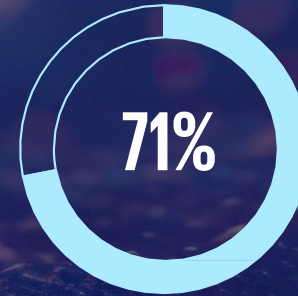
Opportunities:



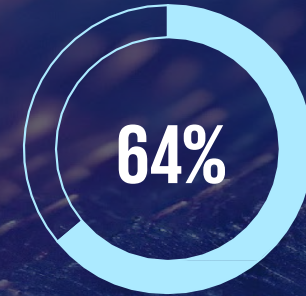
of respondents expect generative AI to have the largest impact on their businesses out of all emerging technologies.



believe generative AI will increase workforce productivity.



will implement their first generative AI solution within the next two years.



believe generative AI will help their business gain a competitive advantage over competitors.



*Generative AI:
From buzz to
business value*



Copilot in Power BI

Private Preview

Stay focused on your business outcomes and unlock insights in your data with Copilot



Create beautiful and insightful reports just by chatting with Copilot



Define metrics and calculations for your data model just by describing them in natural language



Use Copilot to find and summarize insights in your data

The screenshot displays the Power BI Copilot interface for a 'Contoso Daily Sales' report. The dashboard includes a 'Sales Overview' section with four key metrics: Revenue Won (\$7,811,851), Close % (37.7%), AVG Days to Close (121), and Opportunities Won (526). Below this are three visualizations: 'Revenue Won by Month' (line chart), 'Close % by Month' (bar chart), and 'Close % by Region' (map). A 'Summary of insights with Copilot' panel provides AI-generated analysis, such as revenue trends and top-performing states. On the right, the Copilot chat panel shows a conversation where the user asks for insights, and Copilot suggests creating reports and answering questions like 'What are the biggest drivers for close %?'. The interface also features a search bar, navigation menu, and a footer with a disclaimer: 'AI-generated content can have mistakes. Make sure it's accurate and appropriate before using it. [Read preview terms](#)'.

Month	Close %
May	23%
Jun	32%
Jul	26%
Aug	37%
Sep	37%
Oct	36%
Nov	52%
Dec	49%
Jan	39%

Revenue trended up, resulting in a 490.36% increase in the 8 months ending in December, 2022 [1].
Top 3 states by close % are Washington, Texas, and California [2].
Revenue start trending sharply upward in November, 2022, rising by 71.57% (\$645,634) in 22 days [3].

Example Generative AI use cases

Role-based AI clusters

CORPORATE & SME *Empowering RM & CA*

- Create Financial statement analysis and summarize key insights
- Generate drafted CA report
- Develop pitch deck and sales script for RM based on industry sector, customer profile, conversation history

WEALTH *Empowering Advisor Augment CIO*

- Augment CIO/analyst for research summary and sentiment analysis
- Create bite-size market insights to RM/Wealth advisor
- Personalized wealth advice and solution based on client's risk appetites and preferences

CONTACT CENTER *Contact Center analytics Agent co-pilot*

- Prioritize calls (e.g., Telesales and Collection)
- Automate agent tasks (e.g., summarize intent and sentiment)
- Create sales script
- Summarize call and evaluate
- Customer Q&A

HR *AI-powered recruitment*

- Generate job description
- Develop interview questions
- Automated resume pre-screening
- Summarize candidate's skills based on job roles
- Automate routine task (e.g., sending welcome email, scheduling onboarding session)

FINANCE *AI-assisted Finance*

- Predicting late payments for collection worklist prioritization
- Accelerate invoice approval with co-pilot
- Automatically generate financial summaries
- Create drafted IR report

INTERNAL KM *Know your product*

- Chatbot for knowledge mining e.g., policies, product information, HR info

IT

Code generation

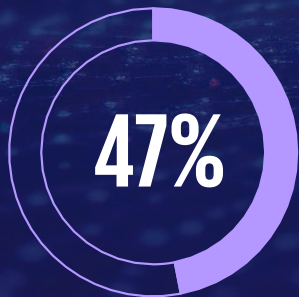
- Convert natural language to Programming Code
- Code documentation

Survey highlights

Challenges:



think generative AI implementation introduces moderate to high-risk concerns.



are still at the initial stages of evaluating risk and risk-mitigation strategies for generative AI.



Top barriers to implementation:

Lack of skilled **talent**,
cost/lack of **investment**,
and lack of clear **business case**



Top risk focus areas:

Cybersecurity and data privacy



*Generative AI:
From buzz to
business value*

Making AI a **success**



Data



Responsibility



Culture

Microsoft's Responsible AI principles



Fairness



Reliability
& Safety



Privacy &
Security



Inclusiveness



Transparency

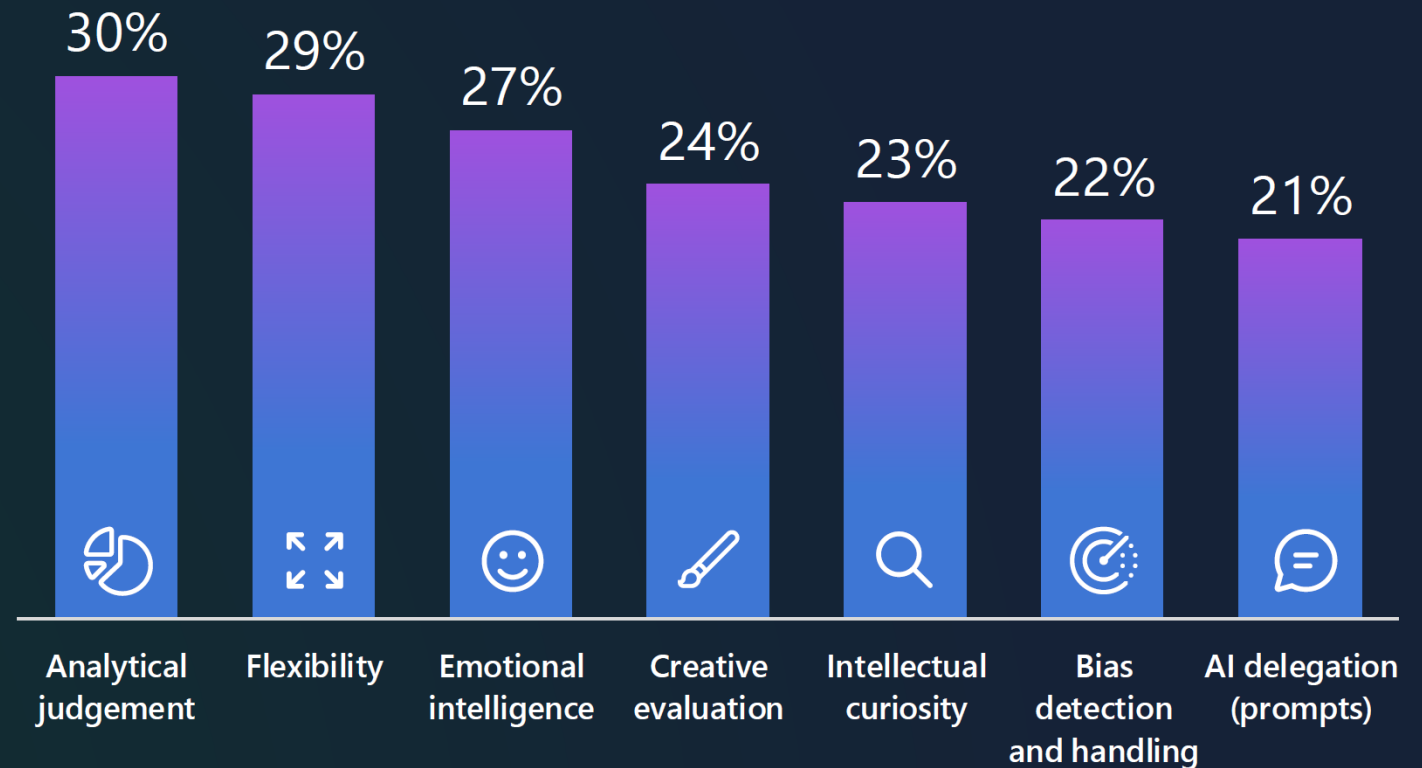


Accountability

Skills required for the AI era



of leaders say employees will need new skills to prepare for AI





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