

How sustainable is your strategy?

**A KPMG Guide To Diagnosing and
Defining Responsible Growth**

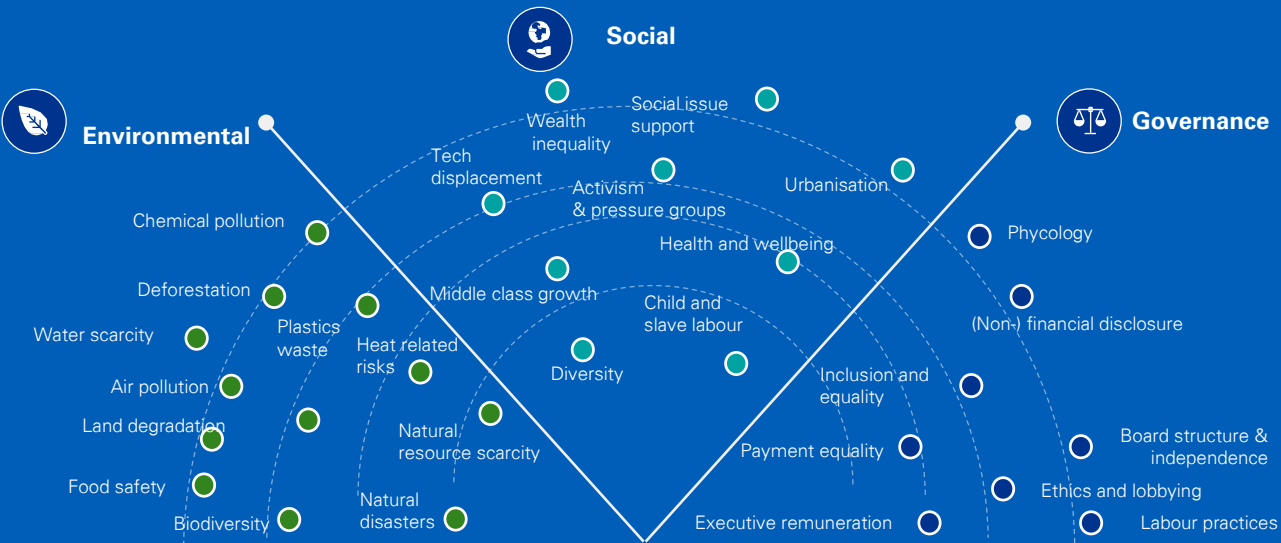
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July 2020




ESG mega trends are becoming unprecedented drivers of change

A wide range of Environmental, Social and Governance (ESG) megatrends will impact the financial stability of economies and the prosperity of businesses and consumers



ESG implications are more widely understood and consumers, society and shareholder will increasingly demand change



30%	Growth in global energy demand over the next 20 years	There is an urgent need to transition to renewable sources
1.7 earths	Required to meet future population demands	We need to unlock the circular economy to design out waste by rethinking entire value and supply chains
\$28bn	Cost of extreme weather damages to capital markets in 2018	The cost of climate change is set to rapidly increase
\$20tr	Estimated value in AUM towards ESG investing	Growth in ESG funds is rapidly increasing as investors favour those committed to transitioning to a sustainable business
\$1tr	The value of stranded coal and gas assets will exceed in 15 years	Assuming the world meets the Paris targets of 2 degrees warming
40%	Better performance enjoyed by companies with the highest ESG ratings compared to lowest rated firms	CEOs increasingly recognise they need to look beyond purely financial growth to achieve long-term sustainable success

We believe ESG trends will change what it takes to succeed

The ESG megatrends are creating the necessary conditions for disruption

Shared value business models: Businesses who look beyond pure financial growth, and recognise the powerful connection between company strategy, social purpose, and economic value, will outperform their peers, and deliver superior returns to both to society and shareholders



Sustainability will be an engine for long term business profitability: Customers, regulators and investor sentiment is changing in favour of more sustainable companies. These businesses have a unique opportunity to build lasting competitive advantages

Sustainable businesses will enjoy lower cost of capital: Investors recognise that sustainable businesses offer lower risk and/or better long term shareholder value, likely triggering a fundamental reshaping of financing. Businesses with poor ESG metrics will have higher costs of capital



Financial services are accelerators for ESG transition: Financial institutions are under pressure from policy makers and governments to support companies with positive ESG credentials. This will change the flow of capital and accelerate the ESG adoption of communities and countries

Collaborate to compete: Winning businesses will recognise they do not have to improve their ESG footprint alone and will partner and collaborate across their value and supply chain. The ability to manage partnerships and alliances will become more important to all organisations



Design out waste: Innovative, efficient, closed loop processes are rapidly evolving, which allow businesses to transition to a 'zero-waste' platform where all products, materials and services become part of a circular economy

Public private partnerships: The shift in society's preferences will spur political and regulatory changes. This will create fertile conditions for private public as well as cross industry partnerships to tackle shared sustainability challenges



No one left behind: Moving to a more sustainable world must also mean managing the geopolitical and social risks of certain locations/industries being adversely affected. Investors, regulators and governments will expect a responsible exit strategy

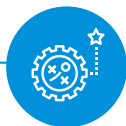
ESG reporting will become mandatory: Climate-related financial disclosures will be harmonised across sectors and other measures will be aligned with the SDGs and principal ESG domains of governance, planet, people and prosperity



What are the key systemic opportunities and risks to my business in the near and medium term?



What do my customers, employees and investors demand of me?



What are my strategic options and which should I prioritise in order to capitalize on opportunities and address risks?



What changes are required to my business and operating model to become a more sustainable business?



How do I maintain my short-term performance while transitioning to a more sustainable business?

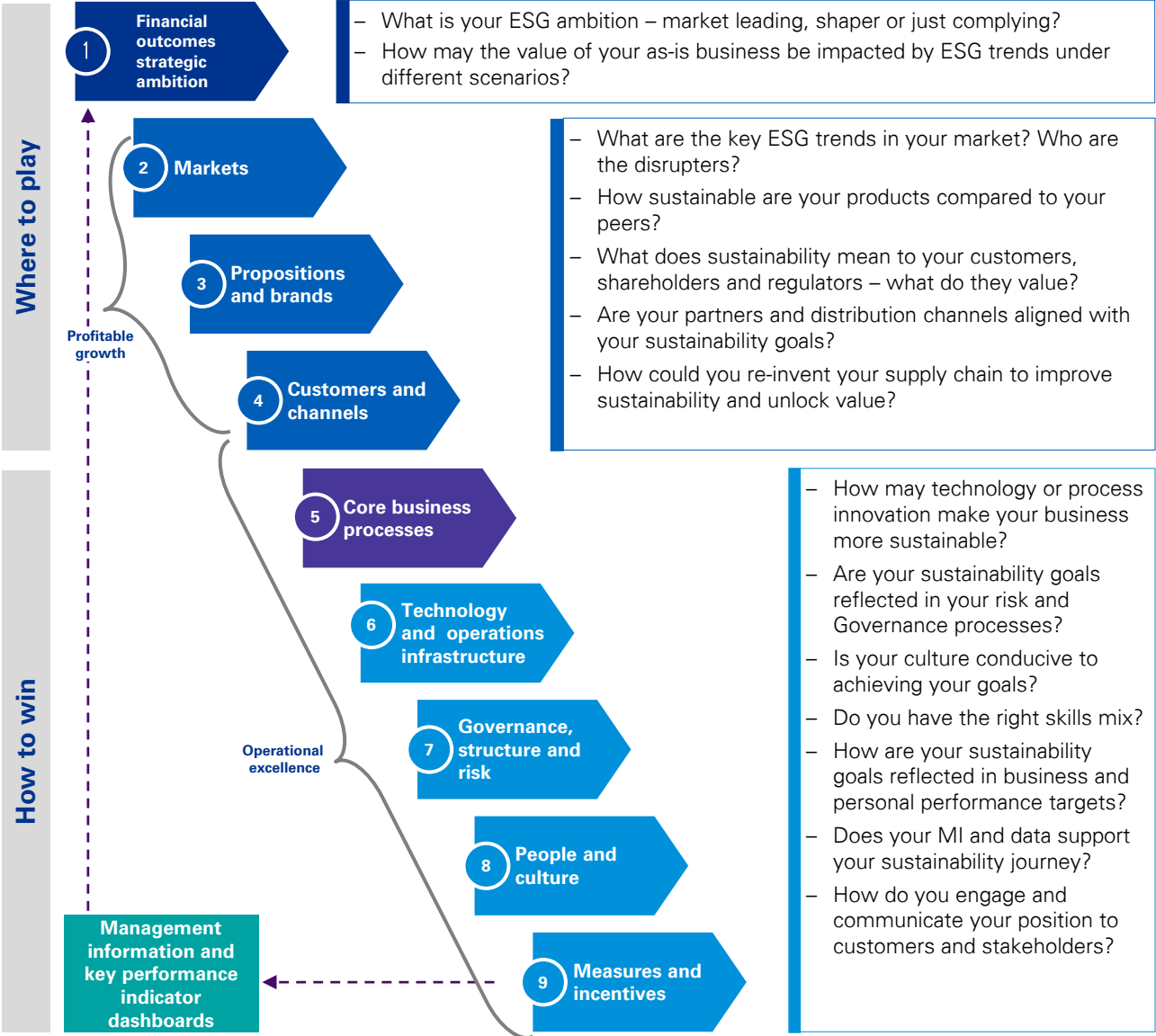
Is your business fulfilling its sustainability potential?

It's no longer just a compliance question. Businesses across all sectors have a unique opportunity to capitalise on the ESG megatrends and build lasting competitive advantages

Our 9 Levers of Value framework can help

KPMG's 9 Levers of Value

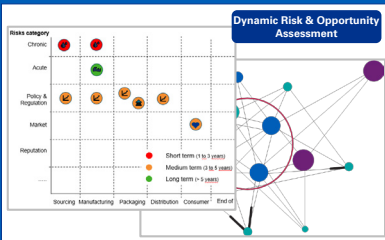
Key Strategic Considerations



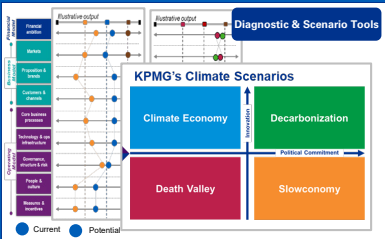
ESG considerations must become an integral part of your business strategy and value drivers

From insights to results – our framework help you develop and implement your sustainability strategy

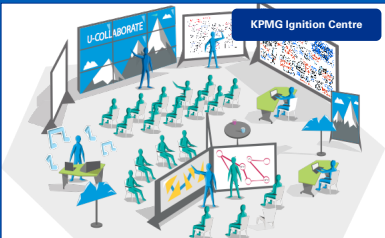
Part 1:
Our dynamic ESG assessment will identify your key risks and opportunities, their materiality and interdependencies



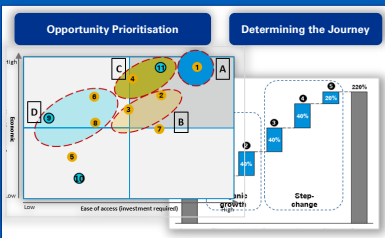
Part 2:
Using our Diagnostic tool, we illustrate your relative ESG maturity and the gap between your 'as-is' business and desired 'to-be'



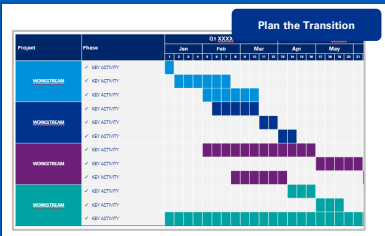
Part 3:
Our customer and SME insights help us jointly identify opportunities for you to integrate sustainability in your business and create competitive advantage



Part 4:
Our ESG strategy approach creates a shortlist of compelling and implementable strategic options, thoroughly tested and co-created for buy-in



Part 5:
A practical implementation roadmap and plan identify how to operationalize your preferred strategic options and ensure you can mobilise rapidly



KPMG is helping shape the Sustainable Business agenda

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